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RESTRICTIVE TRADE PRACTICES COMMISSION

REPORT

Concerning the Purchase of Pulpwood in Certain
Districts in Eastern Canada

o

DEPARTMENT OF JUSTICE
OTTAWA

o

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RESTRICTIVE TRADE PRACTICES COMMISSION

REPORT

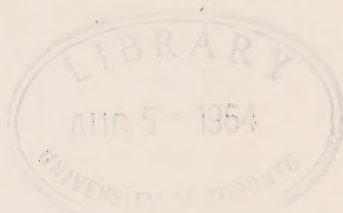
CONCERNING THE PURCHASE OF PULPWOOD

IN CERTAIN DISTRICTS

IN EASTERN CANADA

COMBINES INVESTIGATION ACT

Ottawa
1958




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RESTRICTIVE TRADE PRACTICES COMMISSION

C. Rhodes Smith, Q.C., M.A., B.C.L.
Chairman

A.S. Whiteley, B.A., M.A.
Member



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RESTRICTIVE TRADE PRACTICES COMMISSION

OTTAWA

March 31, 1958

Honourable E. Davie Fulton, P.C., Q.C., M.P.,
Minister of Justice,
Ottawa.

Sir:

I have the honour to submit to you herewith the report of the Restrictive Trade Practices Commission dealing with the purchase of pulpwood produced by farmers or settlers in certain districts in Eastern Canada.

The matter was brought before the Commission by the submission of a statement of the evidence obtained in an inquiry by the Director of Investigation and Research under the Combines Investigation Act and has been dealt with in accordance with the provisions of Sections 18 and 19 of the Act.

Evidence and argument in regard to the Statement of Evidence were heard by the Commission in Ottawa between November 25, 1957 and December 10, 1957. In these proceedings T. D. MacDonald, Q.C., Director of Investigation and Research, appeared with R. I. Milner and Miss Ruth Vogel and Messrs. Hazen Hansard, Q.C., A.J. MacIntosh, J.M. Coyne, H.J. McLaughlin, Q.C., R. deWolfe MacKay, Q.C., W. Edgar Bronstetter, John S. McKinnon and G. J. Gorman appeared on behalf of the parties named in the Statement of Evidence.

Yours faithfully,

(Sgd.) C. Rhodes Smith
Chairman

CONTENTS

	Page
Chapter I - Introduction	1
1. Reference to the Commission	1
2. Parties Named in the Statement of Evidence	5
3. Hearings and Witnesses	11
4. Position Taken by the Parties with Respect to the Statement of Evidence	18
5. Argument Concerning Jurisdiction of Commission to Proceed with Inquiry	25
Chapter II -The Supply of Pulpwood	27
1. Description of Pulpwood	27
2. Sources of Pulpwood	28
3. Pulpwood as a Cash Farm Crop	34
4. Production of Pulpwood	37
5. Methods of Pulpwood Purchasing	42
Chapter III -Arrangements and Practices among Pulp and Paper Companies in Connection with Pulpwood Prices and Related Matters	53
1. Oral Evidence Describing Meetings and Discussions	53
2. The Nature of Practices and Arrangements as Disclosed by Documentary Evidence	78
3. Attention Given to Agreed Offering Prices and Conditions	109
Chapter IV -Period of the Korean War	119
1. Situation in the Pulpwood Season 1949-50	119
2. The Outbreak of the Korean War	129

<u>Contents (continued)</u>	Page
3. Possibility of Direct Governmental Controls .	139
4. General Comment on Korean War Period . .	156
Chapter V - Appraisal of the Effects of the Arrangements . .	
and Practices	163
1. Position of Named Companies as Buyers of Pulpwood	163
2. Knowledge of Pulpwood Supply and Demand .	174
3. Fluctuations and Variations in the Price of Pulpwood	176
(a) Variation in Contract Prices.	180
(b) Year-to-Year Fluctuations in Pulpwood Prices	194
4. General Effects of Arrangements and Practices	200
Chapter VI - Conclusions	209
Appendix - Tables	217

LIST OF TABLES

Table	Page
1 - Sources of Supply of Pulpwood in Eastern Canada, 1948-55	30
2 - Pulpwood Cut in Crown Forests and Private Forests, Province of Quebec, 1947-48 to 1953-54	31
3 - Contract Purchases of Limit and Farmers Pulpwood According to Species and Form (Rough or Peeled) for the Period 1947-54	32
4 - Pulpwood as a Proportion of Total Forest Products from Farms, 1950	36
5 - Production in Canada and Exports of Pulpwood, 1947-55	38
6 - Apparent Production and Export of Pulpwood, Quebec, Ontario and Other Provinces, 1947-55	39
7 - Quantities of Purchased and Limit Wood Obtained by Pulp and Paper Mills in New Brunswick, Quebec and Ontario, 1948-49 to 1953-54	41
8 - Production of Wood Pulp in Quebec by Months, 1949 and 1950	130
9 - Comparison of Pulpwood Price Index and General Wholesale, Industrial Materials, Lumber and Timber, and Wood Pulp Price Indexes, 1947-48 to 1953-54	158
10 - Production of Pulpwood and Wood Pulp in the Province of Quebec by Wood Years, 1947-48 to 1954-55 . .	159
11 - Average Annual Supplies of Pulpwood Acquired in the Province of Quebec, 1947-48 to 1953-54	170
12 - Distribution of Pulpwood Contracts for Farmers Rough Spruce and Balsam F.O.B. Car by Wood Years, According to Price, Abitibi District	183
13 - Indexes of Prices Paid for Pulpwood, 1947-48 to 1953-54	195

List of Tables (continued)

Table	Page
14 - Comparison of Index of Price Paid to Dealers for Rough Spruce and Balsam F.O.B. Cars Shipping Point and Composite Weighted and Unweighted Pulpwood Price Indexes, 1947-48 to 1953-54 . . .	196
15 - Average Price of Rough Spruce and Balsam, F.O.B. Cars Shipping Point to Dealers and Year-to-Year Change in Average Price, 1947-48 to 1953-54 . . .	198
16 - Purchases of Limit and Farmers Wood by Provinces or Regions, 1947-48 to 1953-54.	207
17 - Purchases of Farmers Wood in Certain Districts, Quebec, 1947-48 to 1953-54.	208

Tables in Appendix

Distribution of Pulpwood Contracts for Farmers Rough Spruce and Balsam F.O.B. Car by Wood Years, According to Price

(1) Eastern Townships	217
(2) South Shore District	220
(3) Ottawa Valley	222
(4) Gaspé District	224
(5) New Brunswick	227

CHAPTER I

INTRODUCTION

1. Reference to the Commission

This inquiry was brought before the Restrictive Trade Practices Commission by the Director of Investigation and Research under the Combines Investigation Act, pursuant to section 18 of the Combines Investigation Act, R.S.C. 1952, Chapter 314, which reads as follows:

- "18. (1) At any stage of an inquiry,
- (a) the Director may, if he is of the opinion that the evidence obtained discloses a situation contrary to section 32 or 34 of this Act, or section 411 or 412 of the Criminal Code, and
 - (b) the Director shall, if so required by the Minister, prepare a statement of the evidence obtained in the inquiry which shall be submitted to the Commission and to each person against whom an allegation is made therein.
- (2) Upon receipt of the statement referred to in subsection (1), the Commission shall fix a place, time and date at which argument in support of such statement may be submitted by or on behalf of the Director, and at which such persons against whom an allegation has been made in such statement shall be allowed full opportunity to be heard in person or by counsel.
- (3) The Commission shall, in accordance with this Act, consider the statement submitted by the Director under subsection (1) together with such further or other evidence or material as the Commission considers advisable.
- (4) No report shall be made by the Commission under section 19 or 22 against any person unless such person has been allowed full opportunity to be heard as provided in subsection (2)."

A statement of the evidence obtained in the inquiry was prepared by the Director of Investigation and Research and submitted to the Restrictive Trade Practices Commission under date of February 28th, 1957. At the same time the Statement of Evidence was submitted to each of the persons named by the Director as having taken leading parts in the arrangements alleged to be detrimental and against the interest of those members of the public engaged, as small producers, in the production of pulpwood.

The following reference to the commencement of the inquiry is made in the Statement of Evidence:

"This inquiry was commenced by the Director of Investigation and Research as a result of complaints that were made in the House of Commons beginning in January, 1955, to the effect that various pulp and paper companies were combining to fix the prices to be paid to farmers and other small producers of pulpwood."

The general field of the inquiry is described in the Statement of Evidence as follows:

"12. The arrangements, concerning prices and other conditions of the purchase of pulpwood, which are described in this Statement, related to two main regions and a number of smaller areas within these regions. Some larger companies were active in both main regions while the activities of other companies were confined to one area. The first main region covered Quebec and New Brunswick and the second covered Ontario. For a time the Abitibi District of Quebec was regarded as a special area and was the subject of special meetings and and arrangements. These arrangements are dealt with separately, in this Statement, up until early in 1952. Thereafter prices and other matters relating to the Abitibi District were dealt with at meetings relating to the main Quebec - New Brunswick region. The Lake St. John area is also dealt with separately because two companies were chiefly concerned here. The New Brunswick area is dealt with separately in respect of discussions and agreements among local companies, besides being dealt with as a part of the Quebec - New Brunswick Chapter. While the Ontario arrangements are essentially centered around the Ottawa Valley and the Gatineau and Lièvre River watersheds to the north, they also sometimes relate to the more northern and western areas of the province.

13. The arrangements were limited in their effect by the fact that the consuming mills were not the only outlets for wood of pulpwood potentiality. The export market has already been mentioned, and many trees could be converted to lumber as well as pulpwood. On the other hand, many of the consuming mills could turn to their own limits as an alternative source of supply. This was only so, however, if they had ample warning. No abrupt switch to limit wood could be made if the cutting season was well advanced when the scarcity of purchased wood became apparent or at a time when there were shortages of labour. At the meetings to be described the companies discussed and estimated the total cordage they hoped to obtain, cumulatively, from a given area. If the amount seemed excessive, compared with their previous experience in the area, they sought to reduce it by transferring part of the demand elsewhere. They then set a price which they considered to be the maximum necessary to bring out the wood which the area could reasonably supply and which the mills needed. If, however, a demand disproportionate to the supply subsequently developed from inside or outside the participating companies, a severe strain might be placed upon the pricing arrangements. The necessity of obtaining sufficient wood to keep the mills operating at a time of high demand for the end products was a compelling factor. Such a situation developed in the 1951-52 wood year, as the statistics indicate, and this period was characterized by more numerous meetings than usual, some of which involved senior executives, in efforts, which met with only a limited measure of success, to keep prices under the buyers' control. For other periods under review it was generally possible to arrive at understandings about prices and to buy much of the wood at these prices. At other times again, a softening of the market made it possible for the companies to buy wood considerably below the maximum prices they had set. The arrangements will now be described by areas and regions."

Particulars of Allegations are set out in the Statement of Evidence as follows:

"563. From time to time and place to place, between April 1947 and January 1955, various companies entered into arrangements regarding the prices to be paid and some of the conditions to be observed in the purchase of pulpwood from farmers and other small producers. These arrangements were effected in the course of meetings,

through the medium of correspondence and by means of conversations between representatives of two or more of the companies.

564. The general character of the arrangements was that companies would agree upon the maximum prices at which they would originally try to buy wood in the various districts. In some instances, they agreed or sought to agree upon methods of scaling and evaluation as matters ancillary to pricing. In some instances they also agreed upon other ancillary matters like buying dates.

565. The arrangements upon prices broke down frequently, sometimes because of the requirements of the parties thereto and sometimes by force of competition from outside the group such as competition from foreign firms buying for export.

566. Notwithstanding the frequent breakdowns in the pricing arrangements, such arrangements were nevertheless effective in depressing the prices to farmers and other small producers below the levels such prices would have reached had the companies acted independently and competitively. This is evident from the degree of observance of maximum prices which the evidence discloses and which was considerable; it is also apparent from statements made in documents and in the oral evidence; and it is also evident from the fact that the companies found it worthwhile to pursue the arrangements from year to year over a long period.

567. The number of buying companies has varied considerably from time to time and from district to district. Sometimes and in some districts the number was very small. At other times and in other districts it was comparatively large. Such companies were at all relevant times very well informed as to the state of the market by the statistics gathered and disseminated by their trade organization. On the other hand, the producers affected by the arrangements were very many, their individual bargaining power was small, they were widely dispersed and comparatively uninformed as to the market. There was no justification therefore for the companies to upset the natural balance further in their own favour by arranging to depress producer prices.

568. For the foregoing reasons, the arrangements were detrimental to and against the interest of, those members of the public engaged, as small producers, in the production of pulpwood.

569. It appears from the documentary and oral evidence contained in this Statement that a large number of companies and firms were, from time to time and in varying degrees, concerned with the arrangements that have been described. The evidence that was obtained does not make it possible to define exactly all the parties to the arrangements or to say how long their participation therein continued. It does appear, however, that the following companies were those chiefly concerned and took the leading parts in the arrangements that have been described:

Abitibi Power & Paper Company, Limited
Anglo-Canadian Pulp and Paper Mills Limited
Armstrong Forest Company
Brown Corporation
Canadian International Paper Company
Consolidated Paper Corporation Limited
The Diamond Match Company
Donnacona Paper Company Limited
The E. B. Eddy Company
Gair Company Canada Limited
Gaspesia Sulphite Company Ltd.
Howard Smith Paper Mills Limited
The KVP Company Limited
Kimberly-Clark Corporation of Canada Limited
The James MacLaren Company, Limited
The Ontario Paper Co., Limited
Richmond Pulp & Paper Co. of Canada Ltd.
St. Anne Power Company
St. Lawrence Corporation Limited
Spruce Falls Power & Paper Company, Limited".

2. Parties Named in the Statement of Evidence

The following information about the location of mills, their forest resources and pulpwood consumption, is abstracted mainly from descriptions of the named companies contained in the Statement of Evidence:

Abitibi Power & Paper Company, Limited (in this report generally referred to as "Abitibi") directly and through subsidiary companies operates mills in Quebec, Ontario and Manitoba. For purposes of the inquiry reference may be made to the supply of pulpwood for the following mills or subsidiaries:

The Abitibi mill at Iroquois Falls, Ontario manufactures newsprint and a small amount of wrapper. Its pulpwood consumption amounts to approximately 263, 000 cords per year, which consist mostly of spruce, with much smaller quantities of balsam and jackpine and a negligible quantity of hardwood. While limits held by the company for the mill could supply the entire requirements of the Iroquois Falls mill, about 200, 000 cords are cut annually from company limits and about 60, 000 to 70, 000 cords are purchased, principally from two suppliers who operate limits. In recent years the supply of farmers wood has been negligible.

The Abitibi mill at Smooth Rock Falls, Ontario manufactures bleached sulphite pulp. As in the case of the Iroquois Falls mill, company limits could supply the requirements of the Smooth Rock Falls mill for pulpwood which amount to approximately 136, 000 cords annually. However, about 47, 000 cords are purchased annually from one of the operators supplying the Iroquois Falls mill and from other suppliers. Only a small or negligible quantity of farmers wood is supplied to the Smooth Rock Falls mill.

The Abitibi mill at Saulte Ste. Marie manufactures principally newsprint and catalogue papers. Its pulpwood requirements, amounting to about 119, 000 cords annually, are supplied principally from company limits and the quantity of pulpwood purchased does not exceed 23, 500 cords. As in the case of the two previous mills the supply of farmers wood is said to be small or negligible.

Abitibi has two mills at Sturgeon Falls, Ontario, one manufacturing corrugating paperboard and the other hardboard. The two mills consume annually about 74, 000 cords of pulpwood. In the case of the corrugating paper mill about 90 per cent of the supply is hardwood. The hardboard mill uses about 50 per cent poplar and 50 per cent softwood, including chips from sawmills. The round wood, comprising poplar, jackpine, birch, Balm of Gilead and other miscellaneous species, is bought from small limit holders and settlers.

The Ste. Anne Paper Company, Limited, a subsidiary of Abitibi, operates a newsprint mill at Beaupré, Quebec. Pulpwood for this mill is procured by St. Anne Power Company (in this report generally referred to as "St. Anne"), a subsidiary of Ste. Anne Paper Company, Limited. The average annual consumption of pulpwood at this mill over the last four or five years has been approximately 160, 000 cords,

of which 90, 000 to 100, 000 cords have been cut from company limits and about 60, 000 cords purchased. About one-third of the pulpwood purchased is classed as limit wood and two-thirds as farmers wood.

Anglo-Canadian Pulp and Paper Mills Limited (in this report generally referred to as "Anglo"), has one mill located at Quebec City, Quebec. The mill uses about 440, 000 cords of rough wood per year, of which from 160, 000 to 180, 000 cords are purchased and the balance secured from company limits.

Armstrong Forest Company (in this report generally referred to as "Armstrong Forest") has mills at Willsboro, New York and Johnsonburg, Pennsylvania. The activities of Armstrong Forest in Canada of interest in this inquiry relate to the purchase of pulpwood for export to the United States. Mr. J. R. Cavan is the Canadian representative and the only employee of Armstrong Forest in Canada. Up until 1951 Armstrong Forest purchased about 100, 000 cords of pulpwood annually in Canada and thereafter approximately 35, 000 to 40, 000 cords.

Brown Corporation (in this report generally referred to as "Brown") had a mill at La Tuque, Quebec until 1954, when it was sold to Canadian International Paper Company. According to a notice appearing in the Quebec Official Gazette, December 7, 1957, the charter of Brown Corporation was surrendered and the company dissolved as of November 30, 1957.

Canadian International Paper Company (in this report generally referred to as "C.I.P.") is a wholly-owned subsidiary of International Paper Company of the United States. New Brunswick International Paper Company, whose mill at Dalhousie, New Brunswick is operated as a division of C.I.P., is a subsidiary of International Paper Company. In addition to the Dalhousie mill, C.I.P. operates mills at Three Rivers, Quebec; La Tuque, Quebec; Gatineau, Quebec; Temiskaming, Quebec and Hawkesbury, Ontario. Also at Gatineau, Quebec, subsidiaries of C.I.P. operate a plywood mill, a hardboard mill and an insulating board mill.

The Dalhousie mill uses about 329, 400 cords of pulpwood annually, of which about 29, 400 cords are purchased from various sources.

The Three Rivers mill uses about 412, 000 cords of

pulpwood per year, of which about 113,000 cords are purchased.

The mill at La Tuque, Quebec was acquired from the Brown Corporation on December 1, 1954. In 1954-55 the pulpwood used by this mill amounted to about 375,000 cords, most of which came from company limits. The balance, variously estimated from about one-ninth to one-fifth of the total, was purchased wood.

The Temiskaming mill uses about 323,500 cords of pulpwood per year, of which about 59,000 cords are purchased.

The four paper, board and plywood mills at Gatineau, Quebec use about 529,400 cords annually. A portion of this, however, is made up of slabs, edgings and other wood not normally classed as pulpwood. Pulpwood requirements are supplied mainly from company limits but about 106,000 cords are purchased annually.

The Hawkesbury mill uses about 165,000 cords of pulpwood per year. About 80 per cent of this is hardwood, practically all of which is purchased. The requirements for softwood are met about equally by purchased wood and wood from company limits.

Consolidated Paper Corporation Limited (in this report generally referred to as "Consolidated") has five mills in the Province of Quebec, located at Three Rivers (Wayagamack Island Division), Cap-de-la Madeleine (Wayagamack Cape Division), Shawinigan Falls (Belgo Division), Grand'Mère (Laurentide Division) and Chicoutimi (Port Alfred Division). The total consumption of pulpwood of the five mills in 1953 amounted to 805,565 cords of peeled wood, of which 678,044 were secured from company limits and the balance purchased from various sources.

The Diamond Match Company (in this report generally referred to as "Diamond Match") is a corporation with manufacturing plants in the United States engaged in the production of a variety of products, including moulded pulp products. The corporation operates a sulphite and groundwood pulp mill on the St. Lawrence River at Ogdensburg, New York, and a pulp factory at Plattsburg, New York. The activities of Diamond Match to which attention is given in the Statement of Evidence related to the procurement of pulpwood in Canada for these mills.

The E. B. Eddy Company (in this report generally referred to as "E. B. Eddy") has mills at Hull, Quebec and Ottawa, Ontario. The pulpwood requirements of the two mills amount to about 210,000 to 215,000 cords per year. In recent years about 100,000 cords, or half the requirements, were purchased from farmers. A small portion has been purchased from time to time from limit holders and the balance has come from company limits.

Gair Company Canada Limited (in this report generally referred to as "Gair") is a manufacturer of boxboards and paperboard containers with plants in Montreal and Toronto. Gair also has a pulp mill at Campbellford, Ontario, which uses pulpwood. The Campbellford mill requires between 8,000 and 10,000 cords of pulpwood annually, all of which is purchased and delivered to the mill by rail.

Gaspesia Sulphite Company Ltd. (in this report generally referred to as "Gaspesia") operates a pulp mill at Chandler, Gaspé County, Quebec. This mill requires between 120,000 and 190,000 cords of pulpwood annually. All but a small part of the pulpwood requirements are purchased. In 1954 Gaspesia cut 16,000 cords from its own limits and in 1955, about 25,000 cords. Not more than 37,000 cords of pulpwood purchased consist of limit wood, the greater part of the wood purchased being farmers wood.

Howard Smith Paper Mills Limited (in this report generally referred to as "Howard Smith") and subsidiary companies have five mills which use pulpwood. These are the Howard Smith mills at Crabtree Mills, Quebec and Cornwall, Ontario, the mill of Canada Paper Company, at Windsor Mills, Quebec, the mill of Alliance Paper Mills, Limited, at Merritton, Ontario, and the mill of Donnacona Paper Company Limited (in this report generally referred to as "Donnacona") at Donnacona, Quebec. Donnacona has its own woods organization to look after its pulpwood requirements.

The total annual consumption of pulpwood for all mills, excepting Donnacona, amounts to about 300,000 cords of peeled spruce and 100,000 cords of peeled poplar and hardwood. Of the 300,000 cords of spruce about 150,000 cords come from the company's own limits, about 75,000 cords from other limits and 75,000 cords from farmers. All wood used by the Howard Smith mills, excluding Donnacona, is transported by rail or truck.

The pulpwood requirements of Donnacona amount to about 220,000 cords of pulpwood per year. In the last few years about 150,000 cords have been secured from the company's limits and the balance has been purchased.

The KVP Company Limited (in this report generally referred to as "KVP") operates a mill at Espanola, Ontario. In recent years the annual pulpwood requirements have amounted to between 206,000 and 210,000 cords, of which about 80,000 cords were purchased.

The James MacLaren Company, Limited (in this report generally referred to as "James MacLaren") operates one newsprint mill and two pulp mills at Masson, Quebec. The total annual consumption of pulpwood amounts to from 159,000 to 176,000 cords. The pulpwood requirements could be supplied from company limits but the policy of the company is to purchase whatever pulpwood is offered for sale in the Lièvre Valley area. Purchases in 1954-55 amounted to more than 40,000 cords.

The Ontario Paper Co., Limited (in this report generally referred to as "Ontario Paper") operates a mill at Thorold, Ontario, and a wholly-owned subsidiary, Quebec North Shore Paper Company, operates a mill at Baie Comeau, Quebec. One woodlands organization serves both mills. The consumption of pulpwood at the Thorold mill is about 290,000 cords, of which 30,000 to 50,000 are purchased. The requirements of the Baie Comeau mill run about 220,000 per year, of which purchased wood amounts to approximately 2,000 to 3,000 cords per year.

Richmond Pulp & Paper Co. of Canada Ltd. (in this report generally referred to as "Richmond") operates a mill at Bromptonville, Quebec. The pulpwood requirements of Richmond have been supplied entirely by purchased wood and consist of about 60,000 cords of spruce and balsam and about 7,000 cords of poplar annually. Richmond commenced operations about 1949 or 1950.

St. Lawrence Corporation Limited (in this report generally referred to as "St. Lawrence") was incorporated in 1930 to acquire Brompton Pulp & Paper Co. Ltd., St. Lawrence Paper Mills Co. Ltd. and Lake St. John Power & Paper Co. Ltd. As of January 1, 1952 St. Lawrence absorbed these companies into its own corporate structure. St. Lawrence operates mills at Dolbeau, Quebec; East Angus, Quebec; Three Rivers, Quebec and Red Rock, Ontario. The annual

pulpwood requirements of the four mills are approximately as follows: Dolbeau, 175,000 cords, of which purchased wood would not exceed 10,000 cords; East Angus, 175,000 cords, of which about 90 per cent is purchased; Three Rivers, 250,000 cords, of which about 175,000 cords are purchased; Red Rock, 250,000 cords, of which 15,000 cords are purchased.

Spruce Falls Power & Paper Company, Limited (in this report generally referred to as "Spruce Falls") operates a mill at Kapuskasing, Ontario. A controlling interest in Spruce Falls is held by Kimberly-Clark Corporation, Neenah, Wisconsin, which has two wholly-owned subsidiaries in Canada: Kimberly-Clark Corporation of Canada Limited, which operates a mill at Kapuskasing, Ontario, using pulp from the Spruce Falls mill, and another company, which at the time of this inquiry was known as Long Lac Pulp and Paper Company Limited, operating a mill at Terrace Bay, Ontario. Pulpwood operations are carried on in Canada to supply the requirements of the mills at Kapuskasing and Terrace Bay and also to provide pulpwood for use by the controlling company in the United States. The annual requirements of pulpwood for the Spruce Falls mill at Kapuskasing amount to approximately 380,000 cords, of which about 80,000 to 85,000 cords are purchased. A limit in the Abitibi district, Quebec supplies about 5,000 cords per year, which are permitted to be taken out of the province on condition that an equivalent amount is purchased from suppliers, largely farmers and small limit holders, in the same district. The mill at Terrace Bay procures its pulpwood entirely from its own limits.

3. Hearings and Witnesses

In the course of the inquiry conducted by the Director visits were made by representatives of the Director to the premises of a number of pulp and paper companies and pulpwood brokers and the Woodlands Section of the Canadian Pulp and Paper Association. Large numbers of documents were obtained by the Director from these visits and after the documents were copied the originals were returned to the premises from which they were taken. These documents were all marked with code letters in the upper right-hand corner to indicate the particular premises on which they were found, and each sheet of every document was marked with a separate serial number in the lower right-hand corner, which enables it to be distinguished from all other documents. In this

report both code letters and serial numbers will be given in referring to a particular document.

During the period from August 8, 1955 to October 18, 1955, the following witnesses were examined by or on behalf of the Director before Mr. Guy Roberge, a Member of the Restrictive Trade Practices Commission, sitting as a hearings officer at the places indicated:

Montreal

T.A. Earley	Divisional Woods Manager, St. Lawrence Corporation Limited, East Angus, Quebec
J.E. Ward	Assistant to the Vice-President in charge of Woodlands, Consolidated Paper Corporation Limited, Grand'Mère, Quebec
L.H. Paquet	Assistant Manager of the Woods Department, Howard Smith Paper Mills Limited, Montreal, Quebec
J.W. Fries	Vice-President in charge of Woodlands Operations, St. Lawrence Corporation Limited, East Angus, Quebec
L.L. Wetmore	Woodlands Manager, St. Lawrence Corporation Limited, Three Rivers, Quebec
Robert Chapleau	Woods Manager, Richmond Pulp & Paper Co. of Canada Ltd., Montreal, Quebec.

W.B. Salkeld	Assistant to the Manager of Woodlands and Office Manager of the Woodlands Department, Canadian International Paper Company, Montreal, Quebec
--------------	--

W.A.E. Pepler	Manager of the Woodlands Section, Canadian Pulp and Paper Association, Montreal, Quebec
---------------	--

Quebec City

C.R. Harris	Manager, St. Anne Power Company, Beaupré, Quebec
-------------	--

R.L. Seaborne	Vice-President and Woodlands Manager, Mersey Paper Company Limited, Brooklyn, Queen's County, Nova Scotia
---------------	---

J.H. Merrill	Woods Manager, Anglo-Canadian Pulp and Paper Mills, Limited, Quebec, Quebec
--------------	--

Duncan McLaren	Woodlands Manager, Bathurst Power & Paper Company Limited, Bathurst, New Brunswick
----------------	---

A.D. Robertson	Woods Manager, Gaspesia Sulphite Company Ltd., Chandler, Quebec
----------------	---

J.A. McNally	Resident Manager, La Tuque Woods Division, Canadian International Paper Company (formerly Woods Manager of the Brown Corporation which Company is now the La Tuque Division of the Canadian International Paper Company)
--------------	---

M. V. Cain	Vice-President in Charge of Woodlands, Price Brothers & Company Limited, Chicoutimi, Quebec
Charles Gosselin	Woods Manager, St. Raymond Paper Limited, Desbiens, Quebec
W. F. McColm	Woodlands Manager, Donnacona Paper Company Limited, Donnacona, Quebec
George Girard	Manager of Forest Operations, Donohue Brothers Limited, Quebec, Quebec

Toronto

C. B. Davis	Vice-President in Charge of Woodlands, Abitibi Power & Paper Company Limited, Toronto, Ontario
Walter Kishbaugh	Assistant Manager, Woodlands Division, Abitibi Power & Paper Company Limited, Toronto, Ontario
G. G. Cosens	General Manager of the Woodlands Division, Kimberly-Clark Corporation of Canada Limited, Toronto, Ontario
Gordon McCrae	Superintendent of the Purchased Wood Division, Spruce Falls Power & Paper Company, Limited, Kapuskaing, Ontario

G.W. Phipps	General Manager in Charge of Canadian Operations, Kimberly-Clark Corporation of Canada Limited, Toronto, Ontario
A.H. Burk	Woods Manager and Vice- President, The KVP Company Limited, Espanola, Ontario
R.D. Prince	Superintendent of Woods Purchases, The Ontario Paper Co. Limited, Thorold, Ontario
Gordon Godwin	Assistant General Woodlands Manager and Woodlands Manager of the Ontario Division, The Ontario Paper Co. Limited, Thorold, Ontario
W.S. Sutherland	General Purchasing Agent, Gair Company of Canada Limited, Toronto, Ontario

Ottawa

J.W. Paterson	Vice-President in Charge of Woodlands, The E. B. Eddy Company, Hull, Quebec
J.R. Cavan	Canadian Representative, Armstrong Forest Company, Ottawa, Ontario
D.W. Jamer	Woods Manager, The James MacLaren Company Limited, Masson, Quebec
R.G. MacFarlane	Manager of the Lumber and Logging Department, Fraser Companies, Limited, Edmundston, New Brunswick.

Following the submission of the Statement of Evidence by the Director to the Commission and to the parties against whom allegations were made therein, the Commission received representations from some of the parties concerned as to the date of hearings. After considering these representations the Commission, by an order dated April 5, 1957 fixed Monday, the 16th day of September, 1957, at 10 o'clock in the forenoon in a Court Room of the Exchequer Court of Canada, Ottawa, as the date, time and place at which argument in support of the Statement of Evidence could be submitted and at which persons against whom any allegation had been made in such Statement would be allowed full opportunity to be heard in person or by counsel, this proceeding being in accordance with section 18(2) of the Act. In giving notice thereof, the Commission further informed the parties that at such hearings they would be given an opportunity of further examining, or cross-examining, any witness who had been heard during the course of the inquiry, and would also be given an opportunity to call additional witnesses and to submit any additional documentary evidence.

Prior to the date fixed for the hearing representations were made to the Commission on behalf of practically all parties concerned requesting an adjournment in order to permit the completion of certain statistical and economic studies which were being prepared in answer to certain parts of the Director's Statement. In view of the importance attached to these aspects of the reply, the Commission granted an adjournment until November 25, 1957.

The hearing commenced on November 25, 1957 and concluded on December 10, 1957, the following appearances being registered:

T. D. MacDonald, Q.C.	)	Director of Investigation and Research
R. I. Milner	)	Combines Investigation
Ruth Vogel	)	Officers
Hazen Hansard, Q.C.	)	For all companies involved,
A. J. MacIntosh	)	with the exception of Armstrong
J. M. Coyne	)	Forest Company and The Diamond Match Company
H. J. McLaughlin, Q.C.	)	For Armstrong Forest Company.

The following counsel also attended and represented the companies indicated:

R. deWolfe MacKay, Q.C.)	For St. Lawrence Corporation
W. Edgar Bronstetter)	Limited

John S. McKinnon	For Gair Company Canada Limited
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G. J. Gorman	For Brown Corporation.
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All companies named by the Director in the Statement of Evidence were represented at the hearing, with the exception of The Diamond Match Company of the United States, for whom no appearance was entered at the hearing and from whom no communication was received by the Commission.

At the hearing and before argument on the merits was heard by the Commission, the following witnesses were called on behalf of the parties and were examined by counsel. Certain exhibits were also received, numbered H-1 to H-66.

Vernon Johnson	President, Canadian International Paper Company and subsidiaries
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Robert M. Fowler	President, Canadian Pulp and Paper Association
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Gordon Godwin	Woodlands Manager, Ontario Division, The Ontario Paper Co., Limited ; Assistant to the Vice- President of Woodlands for The Ontario Paper Co., Limited and Quebec North Shore Paper Company
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Sevre Theberge	General Manager, E. Lagueux & Fils Limitée
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Benjamin S. Avery	President and General Manager, The KVP Company Limited
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W. A. E. Pepler	Manager of the Woodlands Section of the Canadian Pulp and Paper Association
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Dr. Joseph R. Petrie	Consulting Economist.
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For purposes of clarity, reference in this report to evidence given at the earlier hearings for the taking of evidence will be made as follows: "Evidence, p. . . .". Reference to evidence given at the hearing before the Commission will be made as follows: "Hearing, p. . . .".

4. Position Taken by the Parties with Respect to the Statement of Evidence

At the request of the Commission, counsel representing the parties concerned submitted to the Commission before the date of the hearing written briefs setting out the position taken by their clients in regard to the Statement of Evidence and indicating the points on which issue was taken with the Director. A joint brief was presented by counsel representing eighteen of the twenty companies named by the Director and a separate brief was presented on behalf of Armstrong Forest Company.

The principal points on which issue was taken in the joint brief may be summarized as follows:

- (1) Agreement was expressed with the view of the Director that "no sharp dividing line exists between trees used for pulpwood and those used for lumber", but exception was taken to the comment that "Generally, trees of a lesser diameter or of a lesser value which could not be turned into good lumber are the raw material used to make pulpwood" to the extent that this conveys an impression tending to minimize the importance of competition from the lumbering trade for the same wood as is available to pulpwood purchasers.
- (2) It was submitted that figures used to approximate the solid wood content of cords of rough and peeled wood and of cunits can be misleading "since they leave out of account substantial variations due to different methods of scaling as well as the substantial differences in volume of pulp producing material existing between forest-grown limit wood on the one hand and farmers' wood lot wood on the other due to straightness, size, freedom from knots and density."
- (3) It was submitted that the Director's description of the absence of strict enforcement of contracts for the supply of pulpwood did not correctly describe the widely prevalent practice of wood "stealing" [i.e. the delivery

of wood already under contract to one buyer to another buyer] and ignoring of contractual commitments which are a practical and ever-present problem confronting pulpwood purchasers. Issue was also taken with a comment of the Director that the real position of a pulpwood broker was usually more buying agent than contractor.

- (4) It was submitted that statistical comparisons presented by the Director to show positions of certain groups of companies in specified areas were not accurate. The position was taken that the companies named by the Director in the Statement of Evidence at no time controlled any market which they or any of them entered for the purchase of pulpwood. The Director ignored the situation that anyone interested in purchases of wood capable of manufacture into pulp was free to enter any district and compete for the purchase of wood.
- (5) The position was taken that purchases for export have been a major competitive factor so far as the demand for wood capable of manufacture into pulp is concerned.
- (6) It was submitted that the Director did not attempt to identify any particular transaction described in the Statement of Evidence as constituting one of the arrangements with which the Statement is concerned or to relate it to any of the companies named as having a leading part in the arrangements.
- (7) Question was raised as to the accuracy of a statement by the Director that "many of the consuming mills could turn to their own limits as an alternative source of supply. This was only so, however, if they had ample warning."
- (8) It was submitted that while the Statement of Evidence accurately sets out numerous quotations from documents and testimony, they are not necessarily complete or in context and much of the incidental comment of the Director interspersed between the quotations is not justified on the record. It was also submitted that sufficient regard was not given to sworn testimony in selecting extracts which set out prices and employ the word "agree" or its equivalent with the effect of indicating price fixing.

- (9) The allegation of the Director that efforts were made to standardize scaling [i.e. measurement of wood] methods and close loopholes in price-fixing arrangements was denied. It was submitted that such efforts as there were to establish uniform scaling practices did not arise from such considerations, that it was never possible to evolve a uniform scaling system and that differences which could and did arise in scaling would alone be sufficient to preclude any possibility of a uniform price agreement.
- (10) The use of census figures to show the importance of forest products to farmers by comparing the value of forest products produced with the value of farm goods sold was contended to be misleading and to leave out of account the fact that, in the great majority of cases, the farmer engages in cutting pulpwood in the off-season and on his own time and only if the prices offered are sufficient to induce him to do so.
- (11) Issue was taken with a comment by the Director that the cheapest kind of purchased wood and, perhaps, the cheapest kind of all wood, whether purchased or limit, is purchased wood which originates within 75 miles of the mill. Challenge was directed to the view of the Director that a mill, by reason of transportation costs, enjoys a degree of monopoly position with respect to wood secured within such a radius and which is usually trucked to the mill.
- (12) In reply to the Particulars of Allegations given in the Statement of Evidence and which are quoted in section 1 of this chapter, the following submissions were made:
- (a) The arrangements regarding prices alleged by the Director are not identified as to time, place or the "various companies" said to have entered into them. If what was said or done at any of the meetings or in any of the correspondence or conversations referred to by the Director can be said to have amounted to an arrangement, it was in no case an arrangement binding any of the companies, by actual or tacit agreement or otherwise, to pay or observe uniform or common prices or conditions of sale in the purchase of pulpwood.
 - (b) The companies "named" did not and could not have effectively agreed upon the prices at

which they would buy pulpwood, maximum or otherwise. Notwithstanding the occasional use of loose language to describe what had taken place, it will be apparent on a fair and proper reading of the whole of the evidence in context that the companies "named" had no control of the purchasing which occurred in the various districts and were seeking by a periodical exchange of information as to prospective demand and supply to determine what their pulpwood procurement programmes should be; that their concern over price was to estimate what would probably have to be paid to get out the wood, i.e. to induce producers of purchased wood to cut, the whole with a view to determining the extent to which they should rely on limit wood as against purchased wood; that none of the companies was bound to purchase at the prices from time to time mentioned or at any price; that while concern was from time to time expressed regarding problems of scaling and evaluation and attempts to reach uniformity were made, invariably without success, this was not done as ancillary to pricing; that there were no agreements on buying dates or other matters ancillary to "pricing" since there was no pricing in the sense employed by the Director.

- (c) It was denied that there were any arrangements upon prices to break down as alleged by the Director in paragraph 565 of the Statement of Evidence. Prices paid were dictated by the force of competition from both within and without the "group", as the Director chooses to call it. The great variance of prices which will be shown to have been actually paid will leave no doubt of this.
- (d) The allegation of the Director in paragraph 566 that the arrangements were effective in depressing the prices to farmers and other small producers below the levels such prices would have reached had the companies acted independently and competitively was submitted to be totally unfounded. There is and could be no evidence to support any such proposition and the companies in any event did act independently and competitively. There was no observance of

maximum prices disclosed by the evidence. Where prices actually paid corresponded to prices mentioned at meetings, the only proper inference to be drawn is that the exchange of information which had occurred had resulted in an accurate estimate of what the market would be. Moreover, no distortion of "statements made in documents and in the oral evidence" can outweigh the extraordinary variation in prices which were actually paid and as to which complete evidence will be led. The fact that some of the companies and not always the same ones found it worthwhile to meet and exchange information from time to time goes no further than to indicate the usefulness of such an interchange, as to which further evidence will be led.

- (e) The companies were not at any time "very well informed as to the state of the market" as alleged by the Director in paragraph 567. There is in fact no market place where information as to supply and demand can be obtained by the companies and the general statistics gathered and disseminated by what the Director chooses to describe as "their trade organization", supplied no information as to the state of the market. The producers, on the other hand, who are not the uninformed multitude the Director's language would indicate, are aware of the offers being made to them and others in their district, and in effect conduct an auction with delivery to the highest bidder, notwithstanding contractual commitments which may have been made. They are in fact usually better informed than the purchasers. The statement that the companies upset "the natural balance" in their own favour by arranging to depress producer prices is completely unfounded. There is no "natural balance" involved in the purchase of pulpwood, there were no arrangements to depress prices and prices were not in fact depressed, as will be demonstrated.
- (f) There is no evidence of any detriment to the public, whether small producers of pulpwood or others, and there was in fact no detriment.

(13) The following are the principal submissions made in the brief on behalf of Armstrong Forest Company:

- (a) It was denied that the Armstrong Forest Company entered into arrangements regarding prices to be paid or any conditions to be observed in the purchase of pulpwood from farmers and other small producers as alleged by the Director in the Statement of Evidence or that it took a leading or any part in any such alleged arrangements.
- (b) The evidence in the inquiry indicates that until about four years before October 1955 Armstrong Forest Company purchased in Canada in the neighbourhood of 100,000 cords of pulpwood a year and that during the following four years its purchases dropped to between 35,000 to 40,000 cords per year. This indicates a declining interest in the purchase of pulpwood from farmers and small operators by Armstrong Forest Company during the whole of the latter half of the period under review. During the peak years of pulpwood demand, i.e. 1951 and 1952, Armstrong Forest Company was reducing its purchases in Canada when other purchasers were concerned with securing additional supplies. Armstrong Forest Company's chief interest in Canada was the purchase of poplar for which the hardwoods of their own limits in Pennsylvania are a substitute. What spruce Armstrong Forest Company purchased in Canada was acquired in connection with the purchase of poplar pulpwood.
- (c) The sole representative in Canada of Armstrong Forest Company attended some meetings but had no part in organizing them and took no part in the discussions. He had no authority to speak for his chiefs in Pennsylvania but had to get all the information he could at meetings and elsewhere in order to serve properly his employer and give all assistance he could in helping to formulate the policy of Armstrong Forest Company with respect to purchases of wood in Canada. There is no quoted market for pulpwood as there is in the case of many commodities. It is necessary to determine what has been paid from time to time by inquiry from both buyers and sellers of pulpwood.

- (d) While Armstrong Forest Company purchased pulpwood in Quebec and New Brunswick as well as in Ontario, there is no reference in the Statement of Evidence to the Canadian representative of Armstrong Forest Company attending any meetings other than meetings with respect to Ontario.
- (e) At various places in the Statement of Evidence there are references to Armstrong Forest Company leading in the price being paid to producers and other companies having to meet the prices of Armstrong Forest Company in order to get wood.
- (f) The only reference in the Statement of Evidence to a complaint by Armstrong Forest Company to competitors was in regard to the loss of wood to other purchasers on which Armstrong Forest Company had made advances for delivery. In most businesses such interference with contract would result in an action but in the pulpwood business it is accepted as the normal way of contracting.
- (g) The concluding submission on behalf of Armstrong Forest Company questioned the jurisdiction of the Restrictive Trade Practices Commission to deal with an inquiry relating to matters which had been the subject of provincial legislation. The attention of the Commission was drawn to the statute of the Province of Ontario known as Settlers' Pulpwood Protection Act, R.S.O. 1950, Chapter 358, which provides on the instructions of the Minister of Lands and Forests for
 - (i) the investigation of prices received and the terms and conditions with respect to the sale, disposal or transfer of pulpwood cut on settlers' lands.
 - (ii) the making of regulations governing the sale and supply to any company of pulpwood cut by any settler or of pulpwood cut from the lands of any settler, fixing the quantities which may be purchased in any period and fixing the prices to be paid by any company to any settler for

pulpwood cut on settlers' lands and controlling the method of measuring such pulpwood.

This statute was described as being part of an overall legislative plan for the pulpwood business in Ontario, which plan includes the Pulpwood Conservation Act (R.S.O. 1950, Chapter 325) and the Spruce Pulpwood Exportation Act (R.S.O. 1950, Chapter 369).

The position was taken that the Province of Ontario in enacting the Settlers' Pulpwood Protection Act and providing through that statute for fixing the price to be paid to settlers for their pulpwood as well as regulations for measuring such pulpwood and other matters relating to the industry had properly occupied this field of legislation and that it is ultra vires of the Federal Government to invade such field by inquiry into prices paid, the determination of such prices, scaling and any matters of that kind.

As it appeared desirable to give consideration to the submission with respect to the jurisdiction of the Commission at the beginning of the hearing, argument was heard on this point at the earliest opportunity as described in the next section.

5. Argument Concerning Jurisdiction of Commission to Proceed with Inquiry

At the opening of his argument, counsel for Armstrong Forest Company stated that the Province of Ontario had never acted under the Settlers' Pulpwood Protection Act by way of regulation or in any other way provided by the statute. He assumed, therefore, that this province has been satisfied with conditions in the pulpwood industry. The argument was then advanced that the allegations made in the Statement of Evidence did not constitute an allegation of contravention of the Combines Investigation Act or the related provisions of the Criminal Code so as to bring the inquiry within the jurisdiction of the Parliament of Canada in dealing with matters of criminal law.

After hearing argument in reply on behalf of the Director, the Commission decided that the allegations made in the Statement of Evidence did amount to allegations of a breach of the provisions of the Combines Investigation Act and that the proceedings came within the terms of the Act.

CHAPTER II

THE SUPPLY OF PULPWOOD

1. Description of Pulpwood

The following description of pulpwood was given in the Statement of Evidence:

"1. 'Pulpwood' is the principal raw material used in the manufacture of pulp and paper, Canada's largest single manufacturing industry. This industry ranks first in the gross value of production and in wages and salaries distributed (D.B.S. The Pulp and Paper Industry 1955). No sharp dividing line exists between trees used for pulpwood and those used for lumber. Generally, trees of a lesser diameter or of a lesser value which could not be turned into good lumber are the raw material used to make pulpwood. Pulpwood may be defined more specifically, as logs of wood, with or without the bark removed, generally cut in four-foot lengths, but sometimes cut in eight and sixteen-foot lengths, with an average diameter of about 6.5 inches. It is cut primarily from coniferous forests, from four main species: spruce, balsam fir, hemlock and jackpine, but a considerable portion of poplar, which is sometimes classed as a soft hardwood is also used. Small quantities of some hardwoods, mainly maple, yellow birch, beech and red and white pine are used sparingly to a minor but growing extent and experiments are being made at present to determine the possibilities of using increasing quantities of hardwood in the future manufacture of woodpulp. Pulpwood is ordinarily measured in cords of 128 cubic feet. A cord of 'rough' wood, that is, with the bark on, yields about 85 cubic feet of solid wood. A cord of 'peeled' wood yields approximately 95.6 cubic feet of solid wood. Another unit of measurement sometimes used, the 'cunit' is 100 cubic feet of wood [i.e. solid wood]."

As already indicated some exception was taken by counsel for the companies to the statement that trees which could not be turned into good lumber may be used for pulpwood if the comment was taken as minimizing the competitive relationship between lumber

and pulpwood uses. It appears from the evidence that the situation indicated by the Director generally prevails. One witness referred to the selection made by producers as follows:

"A. . . . He takes the best logs he can get out of those trees and sells them to the sawmills, because he gets a better return from them. Then he has his butts and tops. They are no good for lumber, or are not acceptable, or perhaps the trees are too small for lumber, and he sells them as pulpwood."

(Evidence, p. 238)

Another witness, referring to the use of trees on property controlled by the paper company, said:

"A. . . . particularly on freehold land, we have disposed of trees and we are still disposing of trees according to the best market we have. In other words, we might take part of the tree for veneer logs, part of the tree for saw logs and the balance of the tree right up to a useful size for pulpwood, so far as that is concerned, and some of it for firewood."

(Evidence, p. 576)

For Canada as a whole spruce and balsam fir make up about 80 per cent of the roundwood used for pulp manufacture. In Quebec, these two species form more than 90 per cent of the total pulpwood used.

2. Sources of Pulpwood

The principal sources from which supplies of pulpwood are secured by pulp and paper manufacturers in Eastern Canada are their own forest limits and by purchase from medium or small limit holders and from farmers and settlers. This inquiry relates essentially to the purchase of pulpwood from farmers and settlers. In the period from 1948 to 1955 the proportion of purchased pulpwood used by the pulp and paper industry in Eastern Canada varied from 26.7 per cent to 34.6 per cent in the Province of Quebec and from 30.9 per cent to 39.9 per cent in the Province of Ontario, according to the reports of the Dominion Bureau of Statistics.

References are made in the evidence to purchases of pulpwood in different named districts. Generally the name used

identifies the general area but some designations are used which are not self-evident. In the main these are designations which were used in wartime control regulations. The following description of certain of these districts is given in the Statement of Evidence:

" . . . Ontario Zone 1 was the area south and east of Capreol; Zone 2 was Algoma, Temiskaming, Cochrane, and balance of Sudbury and Nipissing; Quebec Area A. was the valley of the Saguenay and west to Ontario.
 . . ."

Table 1

Sources of Supply of Pulpwood in Eastern Canada, 1948-55

	<u>1948</u> %	<u>1949</u> %	<u>1950</u> %	<u>1951</u> %	<u>1952</u> %	<u>1953</u> %	<u>1954</u> %	<u>1955</u> %
<u>Quebec</u>	<u>100.</u>	<u>100.</u>	<u>100.</u>	<u>100.</u>	<u>100.</u>	<u>100.</u>	<u>100.</u>	<u>100.</u>
Purchased	28.94	26.70	27.96	34.64	32.13	32.75	30.27	29.10
From own or leased limits	71.06	73.30	72.04	65.36	67.87	67.25	69.73	70.90
<u>Ontario</u>	<u>100.</u>	<u>100.</u>	<u>100.</u>	<u>100.</u>	<u>100.</u>	<u>100.</u>	<u>100.</u>	<u>100.</u>
Purchased	37.47	33.49	34.29	39.88	35.38	33.50	30.87	33.72
From own or leased limits	62.53	66.51	65.71	60.12	64.62	66.50	69.13	66.28
<u>Other Provinces</u> ⁽¹⁾	<u>100.</u>	<u>100.</u>	<u>100.</u>	<u>100.</u>	<u>100.</u>	<u>100.</u>	<u>100.</u>	<u>100.</u>
Purchased	45.89	34.63	31.69	25.63	27.40	28.10	28.62	26.94
From own or leased limits	54.11	65.37	68.31	74.37	72.60	71.90	71.38	73.06

(1) Nova Scotia, New Brunswick and Manitoba in 1948, together with Newfoundland in 1949 and subsequent years.

Source: D.B.S. The Pulp and Paper Industry

The annual reports of the Minister of Lands and Forests, Province of Quebec, also contain information as to the sources of pulpwood cut in that province. The table below gives the relative proportions of pulpwood cut in crown forests and in private holdings:

Table 2

Pulpwood Cut in Crown Forests and Private Forests
Province of Quebec, 1947-48 to 1953-54

	<u>Crown Forests</u>	<u>Private Forests</u>	
		Small and Medium Owners	Large Owners
	%	%	%
1947-48	66.8	15.4	17.8
1948-49	63.1	19.7	17.2
1949-50	58.2	21.2	20.6
1950-51	65.8	17.9	16.3
1951-52	69.7	18.2	12.1
1952-53	66.9	25.3	7.8
1953-54	66.1	27.0	6.9

Source: Department of Lands and Forests, Province of Quebec, Report of the Minister of Lands and Forests of the Province of Quebec

An analysis of pulpwood contracts made by the companies named in the Statement of Evidence in the period 1947 to 1954 was included in the material submitted to the Commission on behalf of the parties. This classified the pulpwood purchased as limit wood and farmers wood and showed about 34 per cent purchased limit wood and 66 per cent purchased farmers wood (Exhibit H-43).

The deliveries under the contracts were also classified according to species and form, i.e. rough or peeled. On this basis rough spruce and balsam formed about 78 per cent of the total quantity of pulpwood, the proportion being slightly higher in the case of farmers wood.

Table 3

Contract Purchases of Limit and Farmers Pulpwood
According to Species and Form (Rough or Peeled)
for the Period 1947-54

<u>Species</u> <u>Species and Form</u>	<u>Total</u>	<u>Limit</u>	<u>Farmers</u>
	<u>Purchases</u> %	<u>%</u>	<u>%</u>
Rough Spruce & Balsam	78.2	73.4	80.7
Peeled Spruce & Balsam	6.2	9.8	4.4
Peeled Poplar & Basswood	7.2	4.3	8.7
Rough Jack Pine	4.4	11.2	.9
Rough Poplar	2.1	1.0	2.6
Mixed Hardwoods	1.4	-	2.1
Hemlock	.4	-	.5
White & Red Pine	.1	.2	(1)
Peeled Hardwoods	(1)	(1)	(1)
Peeled Jack Pine	(1)	(1)	(1)
Totals	100.0	100.0	100.0

(1) Negligible.

Source: Exhibit H-44.

It will be noted that peeled spruce and balsam form a relatively small proportion of the total quantities of these species purchased. On the other hand, poplar and basswood are largely purchased in peeled form. It is indicated by the evidence that pulpwood for export is generally purchased in peeled form. The evidence also indicates that peeled pulpwood is usually produced during the "peeling season" in the spring and early summer.

The evidence given at the hearing before the Commission as well as that given earlier was to the effect that pulpwood taken from limits was commonly of better quality for the making of wood pulp than that taken from farmers' or settlers' wood lots. The following reference to this feature is made in the Statement of Evidence:

" . . . For one thing, the 'limit' wood was usually, or frequently, of better quality because it came from large stands of well-developed trees which were all converted to pulpwood; while 'settlers' ' wood came ordinarily, or frequently, from smaller stands that had more recently been cut over so that the trees were smaller, or from open growth where the trees tended to be knotted, or because some of the best logs were converted to long lumber and the tops to pulpwood. Thus it would appear that ordinarily, or often, a specification in favour of 'limit' wood meant a higher average quality. . . ."

The following factors were mentioned in the evidence as those contributing principally to the higher quality of limit wood. In the first place, limit wood, being of more mature growth and coming from more dense stands of trees, provided trees of more uniform size which could be piled more evenly and thus resulted in more solid wood per cord. In addition, the density of wood, which is related directly to the yield of wood pulp, tended to be higher in limit wood, which usually had a higher proportion of spruce. On the other hand, settlers wood tended to have a higher proportion of balsam, which has a lower density than spruce.

The dependence upon the various sources of pulpwood varies greatly for individual mills and among the different manufacturing companies. The following review of the positions of the principal users of pulpwood in Eastern Canada is contained in the Statement of Evidence:

" . . . An analysis of some seventeen companies or groups of affiliated companies representing the principal users of pulpwood in Eastern Canada for the woodland years 1948-49, 1951-52 and 1953-54 indicates that two companies

were using purchased wood entirely; four companies were drawing over half of their requirements from purchased wood; three companies were using from forty to fifty per cent purchased wood; one company was using only limit wood; and the others were using less than forty per cent purchase wood. For 1949, 1952 and 1954 the use of purchased wood by all pulpwood consumers in Ontario, Quebec, New Brunswick and Nova Scotia amounted to 31.92 per cent, 33.03 per cent and 34.20 per cent respectively of the total requirements for these companies. . . ."

3. Pulpwood as a Cash Farm Crop

The production of pulpwood and other forest products, such as fuel wood and sawmill logs, forms a part of farm operations in many sections of Eastern Canada. The following comments on the census figures relating to such sources of farm income are contained in the Statement of Evidence:

"In 1950, the latest year for which statistics are available, some 81,719 farms in Quebec out of a total of 134,336 occupied farms reported the production of forest products, which, in addition to wood products include maple syrup and sugar. Included with such products were 705,592 cords of pulpwood having a value of \$8,933,530.00 or approximately \$109.00 per farm producing forest products. In Ontario 46,511 farms out of 149,920 occupied farms reported the production of forest products. The pulpwood produced amounted to 143,360 cords with a value of \$1,594,692.00 or an average of approximately \$34.00 per farm. Out of 26,431 occupied farms in New Brunswick, 17,670 reported the production of forest products which included 295,791 cords of pulpwood valued at \$4,495,024.00. This gives an average of \$254.00 per farm. Nova Scotia had 14,300 farms out of a total of 23,515 occupied farms reporting the production of forest products. These forest products included 81,218 cords of pulpwood valued at \$885,776.00 or an average of \$62.00 per farm. The production of pulpwood by the farms in Quebec and New Brunswick is much more important than such activity in Ontario and Nova Scotia (Census of Canada, 1950, Tables 15 and 27, Canada). . . ."

The Statement of Evidence included a table showing the distribution of farms according to value of products. The following comments were made in regard to this table:

". . . These figures indicate that the percentages of farms showing production values less than \$2,500.00 were greater for Quebec, New Brunswick and Nova Scotia than for Canada as a whole. Approximately one-third of the farms in Quebec, approximately forty-eight per cent of the farms in New Brunswick and about one-half of the farms in Nova Scotia produced goods to a value of less than \$1,200.00 per annum. In many cases the production figures shown on the following table are not the only source of income upon which the farm owners rely, but notwithstanding this and any similar qualifications that must attend the figures, the monies received by such farmers for their forest products, including pulpwood, are clearly an important source of cash income. It is reasonable to assume, also, that most of the pulpwood is cut outside the best farming areas so that the importance of pulpwood to the poorer or marginal farms is much greater than the foregoing figures would indicate."

Exhibits H-49 and H-50 submitted by the companies named in the Statement of Evidence relate the production of pulpwood on farms to the production of other forest products on farms in various districts in Ontario and Quebec. The table which follows gives the relative proportions shown in these exhibits.

Table 4

Pulpwood as a Proportion of Total
Forest Products from Farms, 1950

<u>Ontario</u>		
<u>District</u>	<u>Pulpwood Percentage of Total Volume (1)</u>	<u>Pulpwood Percentage of Total Value</u>
Cochrane	66.5	76.8
Algoma	27.6	15.4
Sudbury	55.3	51.3
Temiskaming	50.8	51.1
Nipissing	53.6	46.8
Total, Five Districts	52.8	48.1
Total, Province	31.9	27.0

<u>Quebec</u>		
<u>District</u>	<u>Pulpwood Percentage of Total Volume (1)</u>	<u>Pulpwood Percentage of Total Value</u>
Eastern Townships	40.1	49.1
Abitibi County	70.0	71.7
Temiscamingue County	37.6	51.2
Pontiac County	34.0	30.5
Hull-Gatineau County	57.2	53.6
Total, Five Districts	46.6	52.6
Total, Province	43.8	46.3

(1) Pulpwood as percentage of total quantity of pulpwood, fuelwood, fence posts, logs, pit props and poles measured in cunits.

Sources: Ontario - Exhibit H-49
Quebec - Exhibit H-50

4. Production of Pulpwood

The available statistics for the production of pulpwood are derived principally from figures for the purchase and use of pulpwood because records of actual cutting operations would be usually kept only for large-scale operations. In addition, there often is a long interval between the time a tree is cut in the woods and the delivery of the pulpwood to a mill.* The following comments on the position which the production of pulpwood occupies in Canadian industrial activity are made in the Statement of Evidence:

"In 1953, the total volume of pulpwood taken out of the Canadian forests amounted to 1, 137, 368, 000 cubic feet or 31.8 per cent of the total volume of all forest products extracted for that year (D.B.S. Operations in the Woods. Final Estimate of Forest Production, 1953 - page 3). As far as value is concerned, pulpwood was the most important forest product in Canada in 1953, with a total value of about \$371, 000, 000; it headed the lists of such products, in this respect, in the provinces of Quebec, Ontario, New Brunswick, Newfoundland and Manitoba (Ibid - page 5). This sum represented 47.3 per cent of the total value of all forest products for that year (Ibid - page 12). In 1953, the total selling value of factory shipments of pulp and paper produced by the industry amounted to \$1, 179, 665, 443. out of a total of \$17, 785, 416, 854. for all products (D.B.S. The Manufacturing Industries of Canada 1953 - page 42). In the same year the export of pulpwood, chips, pulps and paper products amounted to some \$933, 611, 180. which figure included pulpwood to the value of \$45, 859, 364. woodpulp to the value of \$248, 674, 880. and newsprint to the value of \$619, 033, 394. (Trade of Canada - 1953 - Volume 2). . . ."

The figures published by the Dominion Bureau of Statistics for the production in Canada and exports of pulpwood are shown in Table 5.

* The Outlook for the Canadian Forest Industries, study published by the Royal Commission on Canada's Economic Prospects, (Ottawa, 1957), 193.

Table 5

Production in Canada and Exports of Pulpwood
1947-55

<u>Year</u>	<u>Apparent Production of Pulpwood in Canada</u>		<u>Canadian Pulpwood Exported</u>	
	<u>Quantity</u> cords	<u>Value</u> \$	<u>Quantity</u> cords	<u>Per cent of Total Production</u> %
1947	11,484,522	237,488,741	1,983,980	17.3
1948	12,497,926	284,656,819	2,317,346	18.5
1949	11,850,254	270,697,980	1,612,278	13.6
1950	12,873,476	285,762,620	1,734,898	13.5
1951	15,053,910	381,920,846	2,871,173	19.1
1952	14,102,394	396,102,104	2,493,263	17.7
1953	13,380,816	370,912,264	1,749,203	13.1
1954	14,702,171	373,096,937	1,826,193	12.4
1955	15,377,280	381,290,934	1,882,784	12.2

Source: D.B.S. The Pulp and Paper Industry.

The Dominion Bureau of Statistics publishes figures of the apparent production and export of pulpwood for the provinces of Quebec and Ontario but figures for the province of New Brunswick are included in those for a group of provinces. The following table presents the figures from D.B.S. reports for the years 1947 to 1955:

Table 6

Apparent Production and Export of Pulpwood
Quebec, Ontario and Other Provinces, 1947-55

Year	Quebec		Ontario		Other Provinces (1)	
	Apparent Production cords	Exports cords	Apparent Production cords	Exports cords	Apparent Production cords	Exports cords
1947	5,946,963	387,671	3,132,618	956,088	1,617,326	543,497
1948	6,321,800	477,599	3,390,284	987,247	1,864,513	673,268
1949	5,808,782	292,965	3,078,877	654,281	2,198,964	509,236
1950	6,340,220	387,597	3,196,941	600,967	2,407,665	529,024
1951	7,099,215	761,649	3,706,147	980,830	3,388,532	1,030,293
1952	6,582,914	450,183	3,603,716	991,247	2,985,805	906,985
1953	6,522,156	402,811	3,332,394	709,464	2,525,337	499,112
1954	6,699,693	380,893	3,452,717	653,943	2,739,813	561,683
1955	7,071,351	388,067	3,627,950	592,744	2,931,662	738,616

1 39 1

(1) Nova Scotia, New Brunswick, Manitoba and Saskatchewan in 1947 and 1948, together with Newfoundland, Prince Edward Island and Alberta in 1949 and subsequent years.

Source: D.B.S. The Pulp and Paper Industry.

The Statement of Evidence includes certain statistical information relating to the quantities of limit and purchased wood obtained by pulp and paper mills in the provinces of New Brunswick, Quebec and Ontario. The statistics were derived from material prepared by the Woodlands Section of the Canadian Pulp and Paper Association (C.P.P.A.) which, in turn, was based on information collected by the Dominion Bureau of Statistics. The following table shows the quantities of limit and purchased wood for what may be termed "wood years", 1948-49 to 1953-54:

Table 7

Quantities of Purchased and Limit Wood Obtained by Pulp and
Paper Mills in New Brunswick, Quebec and Ontario,
1948-49 to 1953-54

	New Brunswick		Quebec		Ontario	
	<u>Purchased</u> cunits	<u>Limit</u> cunits	<u>Purchased</u> cunits	<u>Limit</u> cunits	<u>Purchased</u> cunits	<u>Limit</u> cunits
June 1/48 to May 31/49	364,635	507,617	1,118,747	2,957,227	803,669	1,635,355
June 1/49 to May 31/50	331,887	407,812	913,369	2,431,526	735,311	1,238,907
June 1/50 to May 31/51	492,984	902,176	1,467,334	3,742,942	942,119	2,105,027
June 1/51 to May 31/52	559,321	756,009	1,761,922	3,988,943	1,088,620	2,415,547
June 1/52 to May 31/53	429,185	498,297	1,192,061	3,041,725	707,521	1,470,505
June 1/53 to May 31/54	377,275	579,978	1,539,357	2,956,173	747,550	1,891,750

5. Methods of Pulpwood Purchasing

This inquiry, as has already been noted, has been concerned essentially with the purchase of pulpwood produced by farmers and settlers. In this field three classes of sellers are generally recognized. These are producers, dealers and brokers. It is evident from both the oral and documentary evidence that these classes are not defined in any clear-cut manner. This is particularly the case in regard to dealers and brokers. The following reference in a memorandum of February 9, 1954, prepared by Mr. J.A. McNally (Brown) with copies intended for St. Lawrence, C.I.P., Donnacona, St. Anne, Howard Smith, Consolidated and Anglo, illustrates the situation:

" . . .

There is considerable price confusion caused by the fact that some companies buy from universally recognized brokers, some from dealers, some from dealers who are treated as brokers and some direct from the producer. We believe, from considering the list of brokers prepared earlier this season, that there are many listed who should be classed as dealers and that the list should be revised in some manner before next September.

. . . "

(AQE 15, 3267)

At least one attempt was made during the period covered by the inquiry to have a common definition of broker accepted in the industry but the objective does not appear to have been accomplished.

Mr. J. W. Fries (St. Lawrence) gave the following evidence:

"Q. Yes; why was it desirable that all companies have the same definition of 'brokers' ?

A. I believe that the argument started over our system of buying -- that is, the St. Lawrence system of buying in the Mont Louis section. We had built up there a following of comparatively small operators, such as James Richardson, and others, and Hymen who were considered by other companies as dealers. Their brokers, such as Simak and D'Auteuil evidently dealt with these people as dealers. On our part we dealt

directly with these so-called dealers. They financed themselves, just as the broker does. And in view of that, we considered they should get the same price as the broker. And we maintained our point right through this meeting. I think that is all I can say about it.

Q. You did not agree to adopt this definition of broker?

A. So far as we were concerned, that definition is broad enough to cover these so-called dealers. From our viewpoint we considered them, inasmuch as they were fully self-supporting and in other words did not get paid until the wood was delivered to us -- we considered that they were in the same class as brokers."

(Evidence, pp. 679-80)

The following description of the methods of buying pulpwood from farmers and settlers is given in the Statement of Evidence:

"2. . . . The method of purchasing pulpwood varies somewhat depending upon the organization of the purchasing company and the area in which the purchasing is carried on. In the Quebec - New Brunswick area the pulpwood consuming companies generally give out contracts to 'brokers' who in turn make contracts with 'dealers' and the dealer buys directly from the farmers. In some instances these dealers are local storekeepers. The brokers also buy some quantities direct from the farmers. In the immediate vicinity of the company's mill, some quantity of wood is bought directly from the producer. This is often referred to as 'local truck wood' and it usually originates within a radius not exceeding 75 miles of the mill. One or two of the larger brokers in this area operate 'limits' of their own and a quantity of purchased limit wood is obtained in this manner. In the Abitibi area of Quebec some companies have extensive field organizations for the purpose of purchasing pulpwood direct from dealers or producers. Other companies interested in this area buy from and through brokers and dealers.

3. Conditions in Northern Ontario are somewhat different than in other regions. In this area there are what are known as the 'hundred corders', farmers or settlers who obtain permits from the provincial government to cut 100 cords of pulpwood on Crown lands. In addition there are a number of small limit holders who cut wood from their limits for sale.

It would appear that in this area wood is purchased almost equally from these two sources. The quantity of wood coming from farmers' woodlots in Northern Ontario is not significant. The companies generally negotiate directly with the small limit holders for their pulpwood. The wood originating with the 'hundred corders' and the farmers is purchased through an agent or broker but in some instances this wood is purchased directly from the producer. In Southern Ontario, farmers wood is usually purchased through brokers and dealers.

4. While it is the practice to speak about a company giving a 'contract' to a broker and to speak in terms of farmers 'agreeing' to supply wood to dealers, all at determined prices, it would appear that, in practice, something less than a strict contractual relationship is involved. If the farmer has an opportunity to sell his wood to someone else at a better price, it seems that he often does so. If a broker finds that he cannot supply the quantity for which he has committed himself, the company, depending upon how anxious it is to obtain the wood, will frequently increase the price to the broker so that he, still retaining the conventional broker margin or 'commission', can offer more to the farmer. Upon occasion it would appear that even wood upon which a deposit has been made to the farmer may be switched by the latter, to a more liberal buyer. It does not appear to be the practice to enforce the undertakings above referred to, by legal action, even where they are sufficiently definite in their terms to make this possible. To try to do so would likely alienate, for future years, a broker whose services a company wished to retain. In many cases, perhaps the majority, it would appear that the real understanding between a company and a broker, notwithstanding its literal terms, is to the effect that the price mentioned is likely to be adequate and that the broker will make a determined effort to obtain the stipulated quantity at such price less his customary margin. In other words, the real position of the broker is usually more buying agent than contractor.

5. Practices as to financing, or advances by companies to brokers, brokers to dealers and dealers to farmers also vary from party to party and by occasion. The larger brokers are usually expected to do their own financing and whether or not a broker does so sometimes determines whether he is rated as a broker or 'super-broker' and also the amount of his margin. Willingness to finance ordinarily varies, at the different levels, with the state of supply;

in a period of short supply a buyer may be willing to make financial advances that he would refuse to make in a 'buyers' market."

Earlier in this report, in outlining the position taken by the parties, it was indicated that some exception was taken to the description of methods of purchasing given in the Statement of Evidence. The first point was that the Director did not stress sufficiently the extent to which pulpwood sellers disregard commitments to supply pulpwood under contract and if a better offer is received will sell the wood to a higher bidder and fail to make deliveries which they have contracted to make. The second point was the relationship between the broker and the pulp and paper company. One broker, operating on a substantial scale, who gave evidence before the Commission stated that he conducted his business as an independent merchant, buying wood as he saw fit and making contracts at a definite price with purchasers in Canada or abroad.

On the other hand, there are many examples in the documentary evidence of pulp and paper companies exercising supervision over the broker's activities, including his commission, so-called, and also discussing prices of pulpwood in terms of specific amounts for the broker's commission. Some instances may be given here to illustrate these practices although others will appear later.

In February 1948 Mr. C. Little of J.B. Kemp Company, broker, reported to Mr. C.A. Benjafield (Howard Smith) that certain prices were being paid to producers for peeled poplar in the K and P (Kipawa and Pontiac) district. Replying to this letter on February 17th, 1948, Mr. Benjafield wrote:

"We acknowledge receipt of your[s] dated the 14th. inst., advising prices of \$13.00 being paid producers for Peeled Poplar in the K and P District.

On your advice and assumption that John Glenn of Clarendon and J.R. Geddes are buyers for Thompson-Heyland, we have written direct to Mr. Bailey of Thompson-Heyland, asking that he investigate and have them abide by the recognized price.

As soon as we hear from Mr. Bailly [sic], we will let you know what the answer is."

The following correspondence between Mr. T.J. Kearney (Gair) and Mr. L.J. Kugelman (C.I.P.), of which copies were apparently sent to E.B. Eddy, illustrates the interest which was taken in the prices paid by a broker for pulpwood.

March 15, 1948 - T.J. Kearney to L.J. Kugelman:

"Further to my letter to you as of February 4th, this will advise that the price of \$14.00 to the producer for rough spruce and balsam pulpwood has spread to all of Ontario Zone One.

We are therefore going to meet this price wherever necessary, as are the Eddy Co. and therefore you may consider this letter notification of same.

I have been wondering when we are going to get together to fix a price for peeled spruce pulpwood, in my opinion it should be sometime in the near future.

There are reports that your Company has recently given orders to H. O'Connor of Eganville, Ontario for rough spruce and balsam pulpwood at a price of \$15.50 per cord f.o.b. cars. The same report of these prices has included the names of D. Fagin of Eganville and a man by the name of Gagnon at Bonfield Ontario. With regard to the first two names I might advise that Gair was getting their wood until recently. I refused to consider giving them a direct contract at a broker's commission, as I thought that it would not be conducive to the stability of prices to do so, as both these parties have often been accused of splitting commissions with the producer.

I would be very pleased to hear from you on the above reports and hope to see you at the end of the month, when we might have a fuller discussion of many pertinent subjects."

(ARG 161B, 1303)

March 16 - L.J. Kugelman to T.J. Kearney:

"I acknowledge your letter of March 15th and note that the producer's price is \$14.00 per cord throughout the Ontario Zone 1.

Regarding our activities in this District, we purchased 300 cords of Rough Spruce from O'Connor at

\$15.00 per cord, f.o.b. cars and advised him that he was to pay not in excess of \$14.00 to the producer. If he is splitting his commissions, we will either correct it or purchase no further wood from this source. To my knowledge, we have no contract with Fagin nor Gagnon.

Regarding Peeled Spruce - if you are going to be here at the end of March, possibly we could have a preliminary discussion, although we do not plan to purchase very much Spruce in this district."

(ARG 162C, 1304)

In addition, the exhibits contain a copy of the following letter of March 17, 1948 from L.J. Kugelman to Harry O'Connor of Eganville:

"It has been brought to my attention recently that you are upsetting the pulpwood market for Rough Spruce in the Eganville District by paying or offering to pay \$15.00 per cord for wood intended for our Mills. In particular, have been advised that you made this offer to the Millar Lumber Company.

As you know, the price to be paid producers in your district at the present time is \$14.00 per cord, f.o.b. cars, which will leave you a commission of \$1.00 per cord. Unless you are prepared to follow this schedule, I regret to advise that we will be unable to consider any arrangements with you after Contract No. 123 is completed.

If you have any comments on this, I will be glad to hear further from you."

(ARG 163D, 1305)

On April 19, 1951 Mr. A.H. Burk (KVP) wrote to Mr. L.M. Routliffe (E.B. Eddy) as follows:

"I want to thank you for your telephone message of recent date.

I understand that you have thought about changing commission rates for brokers buying pulpwood and I wonder if you would be kind enough to let us know what your new rate is and what, if any, advances you pay to brokers."

(ARG 278B, 1395)

Replying on April 23, Mr. Routliffe wrote:

"Replying to your letter of April 19/51 no change has been made in commissions until to-day.

From now on dealers who formerly received 75 cents are increased to \$1.00 no change in the primary producers price. It is our belief that what a company pays their brokers is their own business as long as the brokers do not pay the dealer more than the \$1.00.

As a general rule we do not finance brokers when they are buying ordinary producers wood. We have however financed them when they were dealing with a large quantity of limit produced wood."

(ARG 277A, 1336)

The following inter-office letter of April 21, 1951 from the files of Howard Smith also shows the recognition of broker's commission:

"J.B. Kemp Company are not satisfied with settlement at \$15.50 a cord, claiming the recognized price at time of shipment was \$15.00 a cord producer plus broker's commission.

Shipment, as you will recall, was made March 16th and the \$15.00 cord price producer was established March 6th by the recognized purchasing consumer interests.

In view of this will it be in order to have adjustment effected to finalize payment to J.B. Kemp at \$16.50 a cord."

(APJ 94, 11160)

On January 27, 1953 Mr. J.E. Ward (Consolidated) wrote to a broker, A. Simak Limited, as follows:

"I had a report today that someone buying for your account presumably for delivery to our mill has been paying \$15.00 a rough cord for wood at the road side and in one case \$16.00 a cord in the vicinity of St. Prospère, St. Casimir and Ste Anne de la Pérade.

In as much as our contract with you No. PW 2520 sets a maximum price of \$18.00 delivered at the mill, I would like you to tell me if the information I have received is

correct. If the figures are correct, it would mean that you would have to deliver the wood from the road side to Three Rivers at \$3.00 a cord, and in the case of \$16.00, deliver the wood from the road side at \$2.00 a cord. Can this be done?

I also had a report that you made a contract on the South Shore with a man with the name of Giguère, to deliver the wood by truck at \$19.00 per cord. Please advise if this is correct."

(RMH 101, 10845)

The reply to this letter by A. Simak Limited was as follows:

"In reply to your letter of January 27th., we are indeed very much surprised to learn that rough wood has been paid at a price as high as \$16.00 per cord road side in the district referred to. Our representative has spent three days in the region last week and has not taken knowledge of such facts.

Presently we have two jobbers delivering rough wood at Wayagamack at \$18.00 per cord: Messrs Jimmy Welsh of Ste. Christine and Hercule Trottier of St. Casimir and the highest price paid by these contractors is \$13.00, but they purchase most of their wood at \$12.00 road side. We have no hesitancy in refuting these reports entirely.

As for the South Shore, we have not bought a single stick yet, furthermore, we do not know Mr. Giguère and never heard of him before."

(BMH 100, 10846)

In a letter of October 29, 1953 to Mr. Frank Byrne, a broker, Mr. Robert Chapleau (Richmond) wrote:

"Please find attached your Contract No. 1'54, covering 5000 cords of Settlers' Wood from Abitibi, containing 85% Black Spruce and 15% Balsam. It is our understanding that under no circumstances are you to make a contract with any Dealers over \$14.00 per cord, as we understand this is the market price. Should we hear of any infraction on that clause, we will immediately contact you and expect prompt action on your part. We agree to pay you \$10.00 per cord financing for wood which you will hold at our request and will pay you \$1.25 per cord for re-loading charges.

. . ."

(AQF 52C, 86)

Mr. J.H. Merrill (Anglo) wrote to Mr. John Godbout of the same company on January 4, 1954 as follows:

"Please call Ferdinand Didier at Causapsca and advise that we do not want him to pay more than the going price to farmers.

I understand that he is paying dealers' price to farmers.

He only has 2,000 cords to deliver this winter and is crazy to give away part of his profit."

(ARC 103, 2786)

In a letter of January 14, 1954 Mr. J.E. Ward (Consolidated) wrote to A. Simak Limited:

"If you have a contract with a man by the name of Wedge, of Ste. Christine, for delivery of truck wood to Three Rivers for our account, would you please tell me what you have actually paid him directly or indirectly and, if convenient, send me his contract which I will return to you promptly."

(APB 57, 2434)

Information furnished in reply by A. Simak Limited was to the effect that contracts had been made with Mr. Jimmy Welsh of Ste. Christine at \$18.00 (BMH 286B, 11032). On January 18, 1954 Mr. Ward wrote to Mr. T.F. Whalen (C.I.P.) as follows:

"Further to our conversation at our last meeting I sent you copy of a letter written Simak recently and I have his reply today that they do not know anybody by the name of Wedge. Pulpwood has, however, been purchased from Jimmy Welsh, of Ste. Christine, but on no occasion has he received one cent over \$18.00, delivered at Three Rivers. Could Welsh be the man you have in mind?"

(APB 56, 2435)

The general effect of the evidence as a whole is that the activities of pulpwood brokers range from independent merchandising at one extreme to procurement agents at the other and that there has been general recognition by pulp and paper companies of a scale of broker's and dealer's commissions in effect from time to time in the purchase of pulpwood.

CHAPTER III

ARRANGEMENTS AND PRACTICES AMONG PULP AND PAPER COMPANIES IN CONNECTION WITH PULPWOOD PRICES AND RELATED MATTERS

1. Oral Evidence Describing Meetings and Discussions

The allegation in the Statement of Evidence with regard to the general nature of the arrangements among the named pulp and paper manufacturers was put in the following brief form:

"The general character of the arrangements was that companies would agree upon the maximum prices at which they would originally try to buy wood in the various districts. . . ."

While a great deal of evidence was given in the inquiry bearing on the question of whether there was agreement among the companies as to the price at which pulpwood would actually be purchased, the general effect of the oral and documentary evidence is clearly consistent with the statement quoted above.

In argument, counsel for the parties quoted many extracts from the oral evidence and referred the Commission to others as illustrations of the way in which discussions on pulpwood requirements and prices were regarded by those who were concerned with them. While the views of various witnesses tended to differ in points of emphasis, it is considered that the following extracts may be taken as typical:

From the evidence of Mr. J. W. Fries (St. Lawrence):

"Q. Have you attended any such meetings yourself?

A. Years ago I believe I did, sir, although I cannot remember any of them.

Q. How many years ago?

A. I cannot remember, frankly. The last meetings I remember were during control days when I was appointed to the Quebec section of the pulpwood control business, but that of course was under the

controller of pulpwood."

(Evidence, pp. 612-3)

Again:

"A. Well, my understanding -- it is more than an understanding -- they usually start off these meetings by discussion of the companies' requirements in the way of purchase wood in the coming year, both as to totals and as to requirements from each district. After that, you see there is usually a discussion as to labour supply, wage rates and the trend of wood costs in general.

Following that, there is usually a discussion or an exchange of opinion, let us say, as to whether the price of purchase wood is apt to go up or down. There is usually very little agreement at that point, but they ordinarily come out of such a meeting with some sort of an idea of what would be a fair price to pay for the various classes of wood, such as car wood, truck wood, schooner wood and so on.

Q. Do they come out of the meeting with any commitment that they will adhere or try to adhere to the prices that are mentioned at the meeting?

A. So far as I am concerned, no, sir. I have always told both Earley and Wetmore that we are not going into these meetings to make any form of commitment of any kind. It is an exchange of ideas, in my opinion, and nothing else.

Q. Have Wetmore or Earley ever reported to you in terms of indicating commitments about price at the meeting?

A. Their reports are quite often worded in such a way so as it might appear there has been an agreement. They might say in their reports, 'We agree that \$16 would be a fair price', but there is no agreement, in my opinion.

Q. Have they ever, in your recollection, put it this way and say, 'We agreed that these price would be adhered to', or 'We agreed we would try to adhere to these prices'?

A. None in my recollection; they would usually say, we will try such and such a price out and if it does not work out we will have to raise it.

Q. Was it your understanding or not that in those cases they were under any obligation to the other companies to try these prices out for a period or not depart from them without a further meeting or a reference back to the companies?

A. Obligation -- I do not understand that word. So far as I am concerned, sir, we went to these meetings purely to try to get some sort of picture of the purchase pulpwood market, and there were not commitments made so far as I am concerned, on the part of St. Lawrence nor do I feel any other company felt they were committed.

Q. If you received reports from Earley or Wetmore indicating commitments, would you remonstrate with them about it?

A. I would certainly feel I should because the past history of purchase pulpwood market does not indicate that commitments or any kind of agreement or any price that was ever discussed at those meetings, was ever held to very firmly if the demand was sufficient."

(Evidence, pp. 614-6)

Again:

"Q. Now, we go on to or come back to, I am not sure which, serial number 353, dated February 23, 1951, and Earley is telling you that following his telephone conversation with you it is evident that the Canada Paper Company of Windsor Mills is paying at the present time for truck wood delivered to the mill, around \$21 per cord to brokers. He says this:

' . . . this as you know is contrary to our agreement with them as they promised that they would not pay over \$20 per cord to brokers before advising us.'

Is that another example of Mr. Earley's, let us say, idea of what is going on amongst the companies?

- A. I will consider it so. I would also consider it a pretty good example of how much these so-called agreements mean if the pressure is on. Everybody is at liberty to maintain their independence and so far as I can recall, to pay what they say [sic] fit. They may not like it, that is one company may not like what another is doing, but the fact remains they have always done as they damn well please."

(Evidence, pp. 661-2)

From the evidence of Mr. T. A. Earley (St. Lawrence):

- "Q. Then, tell us we come out of the control period and I bring you back to the general question as to the type of consultation with other parties prior to the drawing up of price lists?

- A. Well, to begin with where we talked to them over the price set-up what we would pay for wood -- of course, in our case it was all rough wood -- for the coming year, each individual representative was asked what he thought about it. Sometimes it wound up in a meeting as you are aware, and there were different prices suggested at those meetings. Some wanted to pay the same price as they had the year before. Others wanted to pay a dollar more, some \$1.50 more, some \$1 less. Usually, in those cases we would try different prices at a certain figure, and then we would probably meet in a month or two months after or a month if in our estimation that price did not bring in any wood. We would have to go up a dollar or \$1.50 sometimes more to get the wood; that is about the way this thing operated after controls."

(Evidence, pp. 71-2)

Again:

- "A. . . .

Then, number two is this: as I say, we both left our companies with the idea of wondering what we would have to pay for wood, as against the previous year, and what had transpired from one year to another, labourwise or in any way, -- or cost-of-living-wise, or

what have you -- and what we considered, as a guess, what the price should be. And then, from there, we tried out those suggested prices; and, in the estimation of the group, some would have a higher price in mind. Sometimes I had a higher price in mind, or vice versa. And then we would go out and see if we could purchase wood for that price. If we could not, we would then probably discuss the matter again, and say, 'How is this? Maybe we are not paying enough, or maybe we are paying too much.' And then we would go out and try at a higher price to see if we could get our wood."

(Evidence, p. 81)

From the evidence of Mr. L. L. Wetmore (St. Lawrence):

"A. Yes. The fellows at my level would get together, probably around this time of year, to ascertain the quantities of pulpwood that we could expect would be produced in the various areas; that was mainly for the purpose of not overloading any particular area or trying to extract from any one area quantities of raw material that did not exist. At that time, prices were discussed in relation to the mills wage scales. Possibly a target was discussed, but it was not necessarily adhered to.

About our only source of information in these matters is from fellows at our own level who know what is going on in the pulpwood producing areas. We get together and set down our program from the various areas so as not to over-load or under-load any particular area."

(Evidence, pp. 712-3)

Again:

"Q. Well, put it this way: whether or not they were legally enforceable, do you consider that you had entered into any understanding or agreement with the people you met at meetings to adhere, or try to adhere to a target price for any period?

A. We discussed a target price we felt was a fair price to go out and get our pulpwood. That is what we discussed -- what we thought was a fair price. There

are lots of things that go into the picture -- outside influences.

- Q. But you gave no undertaking that you would go out and get, or try to get your pulpwood at that price?
- A. I did not have to promise anybody at the meeting that I would do that.
- Q. I did not say, 'Did you have to promise?'; I said, did you give any understanding to any of the other people at the meeting, once a price had been mentioned or decided upon as a fair price, that you would go out and adhere to, or try to adhere to that price for certain wood, over a certain period?
- A. I would try to adhere to it.
- Q. That is, the understanding with these other people at the meeting was that you would try to adhere to that price for a certain period?
- A. If it would stimulate production.
- Q. Was there any understanding that before the prices were changed there would be consultation back with the other parties?
- A. No, but sometimes a meeting might be called to review the situation and it would be said at the meeting, 'Well, by gosh we are not getting our wood for a certain price.'

(Evidence, pp. 724-6)

Again:

- "Q. May I take it then, Mr. Wetmore, when you left that meeting you felt [a] completely free agent notwithstanding anything that transpired at the meeting, to go out and offer such prices as you or your company in its absolute discretion decided upon for wood?
- A. If it were required to stimulate production, yes.
- Q. And that, without any further advice to any of the people at those meetings?

A. Yes, I did not feel I was obliged to tell those people."

(Evidence, p. 746)

From the evidence of Mr. J. E. Ward (Consolidated):

"Q. Did you abide by your own expression of intention at the meeting?

A. With reservations, yes, sir.

Q. What would be those reservations?

A. I think that I always made it clear that I would have to do, or my company would have to do, whatever was necessary to see that they got the wood they required. By that I mean that if the estimated price changed or the forecast of price changed, even 25 cents, we would never be able to get our wood. We would have to meet that price."

(Evidence, p. 245)

Again:

"Q. Going back to the purpose of the meetings we had discussed the question of quantities and districts, and then were just coming into what you had referred to, I believe, as stabilization of price. Would you describe the discussions that would go on at the meetings relating to prices?

A. Yes. Having drawn up an over-all program with an exchange of estimated requirements, and where the wood was coming from, then we go district by district and say, now, what was the prevailing price last year? Have conditions changed this year which would require any price adjustment? After an exchange of ideas, we would reach a conclusion.

Q. What terms would the conclusion be expressed in, what level of pricing?

A. At what level of pricing -- you mean at the point? Now, for instance if we were talking about rail wood, we usually talked about what price would be paid to

brokers f.o.b. cars, shipping points."

(Evidence, pp. 248-9)

Again:

"Q. My question would come down to this, in view of your elimination of the scaling, whether the agreements you referred to there are agreements on the topics you mentioned this morning as the chief topics of discussions at these meetings, that is to say the topics of quantities and distribution and price?

A. Well, I say that undoubtedly these meetings referred to here followed the usual pattern of finding out what wood would be required, the district which you expect to get it from and also what price would have to be paid. Now, as I have said before, we have always felt, and I think we were quite right in it, that you have got to have a common price on pulpwood that you are buying from these fellows throughout the country or you will not get delivery. You cannot depend on it. If you do not have a common price, you will never get your wood.

Q. Is it the practice of the meeting to agree upon that common price?

A. That was the aim.

Q. To what extent, if any, was it the result?

A. The result, that would be a matter of opinion. I do not think, in actual practice, any discussions or agreements, or whatever you want to call them, on the price worked out 100 per cent or anything near like it. There was never any fixed price in supply planning or discussion of what should be paid or what would be paid; it was never stable.

Q. That was due to what?

A. Due, I would say, to the class of people that you have to depend upon to produce this pulpwood and buy it for you. They will contract to sell you wood, but if conditions change to their advantage price-wise, you cannot depend on them to deliver you wood unless you meet whatever price they say it is. They may be

telling you the truth and they may not. The only way you find out the truth is by making whatever enquiries you can develop and trying to trace it down."

(Evidence, pp. 266-7)

From the evidence of Mr. L. H. Paquet (Howard Smith):

"A. . . .

Then almost invariably one of the first items that would come up would be the anticipated requirements in a given district. If, after having tossed this around for a considerable time, there appeared to be among those present the prospect of estimating the requirements of those absent, then the question of, not necessarily a definite price, but a price area, could be discussed -- because I don't remember a single meeting where the consensus of opinion was unanimous on a given price. That could not be. Because you cannot bring together under one roof even two people and have them agree on that.

So, afterwards, it was a question of trying to get our wood, first, and then, at that particular price, second. Because, you will understand -- and while it was not in your question, I shall say this -- that I would like you to understand that for a pulp and paper mill to have a cord of wood is the all-important thing. And when I used the singular form, I should have said it was all-important to have enough wood to keep its mill going. That is the all-important thing."

(Evidence, pp. 437-8)

From the evidence of Mr. W. B. Salkeld (C.I.P.):

"Q. Could not or would not these discussions result in some kind of, or in any kind of conclusion as to a uniform price?

A. Generally speaking, yes.

Q. Well, when you took that uniform price out of the meeting with you, what did you do with it from thereon on?

- A. It depends upon our stand in the purchase wood market. As I say, our plans are largely predetermined, anyway, and we continue the program we have laid down.
- Q. How do you work that price into the program?
How does that price affect your program?
- A. If that price is what we consider will develop the wood we require, then, that is it.
- Q. And if it is not, what happens?
- A. It depends upon what happens. We might see how things are developing. If the wood comes along -- we might have to take some action later on to encourage it to be produced.
- Q. After you left a meeting with the price that had been discussed, is that the price that you would then proceed to offer?
- A. Generally speaking, yes.
- Q. What did that achieve for you, from season to season?
What was the advantage of that?
- A. The prices, as they vary from year to year, are the prices that we consider will develop the purchase wood that we expect to get. And that is definitely the reason for it. Otherwise it would hardly be pointful.
- Q. Perhaps you coined that word?
- A. Maybe I did.
- Q. Well, it is just as good a word as 'mindful', I think. I just wish to understand clearly what you have said. I should like to have it clearly on the record. Are we to understand that what you are saying is that the object was to get the price up high enough to get out the cut that the companies needed?
- A. Yes. In the end analysis that is right, yes.
- Q. And would the converse also be true, that it was also to keep the price down to the minimum that was sufficient to get out that cut?

A. Well, yes, I would say so, yes."

(Evidence, pp. 1054-5)

Again:

"Q. Mr. Salkeld, did you notice as you went through these notes and memoranda of the use from time to time, very often I might say, of the expression that such and such a price was agreed upon or expressions closely similar?

A. I did notice that, yes.

Q. What was your understanding of what transpired at the meeting which is described under the term of agreement in these documents?

A. Well, I would say, as we have already outlined, that the purpose of the meetings was to determine the production of wood and the price that was necessary to accomplish that, to get out that wood. I think the word 'agreement' is may be a little severe in that particular case. I mean the word 'agreement' is a pretty hard and fast statement.

Q. Would you sum up in your own words the nature of the conclusions that you considered to have been arrived at?

A. I would say that the conclusion that was arrived at was that a certain price would or would not bring out the volume of wood that was stipulated as required, and that I think is more fair.

Q. Was it your understanding or not that that price would be adopted by the different companies?

A. In a general way, yes.

Q. Could you be a little more specific as to what you mean, 'in a general way'?

A. Well, they actually intended to or did or not, might be questionable.

Q. Is it a fair statement to say that your understanding is that the impression they intended to convey was that

they were going to adopt that price?

A. I would say so, yes."

(Evidence, pp. 1094-5)

Mr. Salkeld was then asked whether he wished to add anything to the testimony quoted above. He then made the following statement:

"THE WITNESS: Well, what their intentions were is beyond any other's comprehension, actually; I would also qualify that, that possibly not always was that the intent of the meeting. Possibly somebody even indicated that they had other price ideas and the meeting could close with different ideas on price. I mean, it covers such a long period."

(Evidence, pp. 1098-9)

From the evidence of Mr. J. R. Merrill (Anglo):

"Q. So you came out, if I understand you, with the knowledge of what the district had produced the year before, which you probably went in with, and you came out with a knowledge of the cumulative demand for the coming year?

A. Yes, and what we hoped to get.

Q. Is that all you brought out?

A. Well, as I said, we had an idea of the price in these various areas and for various kinds of wood. We never worried about anything other than perhaps farmers wood.

Q. You had an idea of what the price would be when you came out?

A. Yes.

Q. Which, I take it, would be from the price discussion that went on at the meeting?

A. Yes, sure.

- Q. When you came out with a price in mind, if that is a fair assumption, were you under any obligation to hold to that price?
- A. Obligation to my company to try and hold my price, not to go beyond my budget.
- Q. Were you under any obligation to the other people at the meeting to hold the price?
- A. Not the obligation I think you infer. We have first to get the wood for our mill. I could not make an obligation that would tie me up.
- Q. Was there any understanding in any meeting you would hold to that price?
- A. It was only a hope that we could get wood for this price. As I say, in my mind, it was a hope.
- Q. So, nobody who sat at the meeting or came out of the meeting had any feeling of obligation?
- A. I am talking about my feeling, sir.
- Q. All right then, your feelings; you never came out of a meeting with any feeling of obligation?
- A. I had an obligation which is that I would not go to work and create a price or a condition that would lead to chaos; I think that is only fair. I would not call it an obligation, but I would not believe I could upset the applecart and do anything for my own selfish ends because, in the long run, that does not pay. I know that.
- Q. Was it or was not your understanding when you left the meeting that the price that had been discussed, had been recommended, agreed or mentioned, whatever you wish to call them, would be observed or adhered to by these parties?
- A. I think there might have been the hope that these prices would not be just anything at all -- but no, I do not believe there was any price fixing, if that is what you mean."

Again:

"Q. And then, in the same series, I would refer to serial 2728 of November 15, 1951, which appears to be your note to Soles in which you say:

'The writer, together with Mr. Cheeseman, met several woods managers and buyers who are interested in wood procurement along the South Shore and in New Brunswick. One or two have an interest in the North Shore of the St. Lawrence.'

And then you give the representations.

And then:

'It was thought that a \$20 f.o.b. car price should hold.'

And then, at the bottom, you say, in a post-script:

'Ed Ward just called up before lunch for Mr. Faure and advised that they cannot live up to the Abitibi agreement for \$18 broker's price at cars. His reason was that others are paying \$14 to \$15 roadside dealers and that in certain cases where a short haul is involved dealers are quick to pay this \$15 price. I was surprised because I thought that the company executive would give such notice. Possibly Mr. Faure, as vice-president, feels that he has this right.'

Could you tell us, Mr. Merrill, what you meant by that last paragraph and particularly the statement, 'I was surprised because I thought a company executive would give such notice?'

A. Well, I am wondering a little bit myself, right now.

Q. Well, take your time and read it very carefully. ?

A. I can only reiterate that the price we hoped and expected would produce the wood are not definite agreement to hold to a definite price. We all watch each other; we all watch the brokers trying to play one

off against the other and that is the reason why we are trying to keep in touch. If we feel that a broker can switch his wood like that and play with us, we do not like it."

(Evidence, pp. 1825-6)

From the evidence of Mr. J. A. McNally (formerly with Brown Corporation):

"Q. . . . Now, would you elaborate, please, upon the nature of your price discussions, and upon the effect of them, and the advantages that you believe you derived from them?

A. As I said, these were an exchange of information concerning -- expressions of opinion as to what the different companies thought they would have to pay for the wood.

Q. That they would have to pay, in order to do what?

A. In order to procure their wood. The advantages that I got out of it, that I personally got out of it -- that is, the Brown Corporation -- was that we knew, provided other people were honest, what they thought they would have to pay to get their wood.

Q. And did you usually find them to be honest?

A. I don't know whether I should answer that question or not.

BY MR. COYNE:

Q. I think you should answer it, yes.

A. Well, there are --

MR. DROUIN: 'Sincere,' would be a better word, I think.

THE WITNESS: Perhaps 'sincere would be a better word. It is difficult to say whether or not they were, because there were always rumours flying around as to what was being paid, generally on the part of some broker who had a contract and was trying to get a higher price.

BY MR. MacDONALD:

Q. What in your opinion was the general effect of these meetings and discussions?

A. I think it enabled us to plan our wood supply, intelligently, and permitted us to calculate, to estimate better, let us say, what our wood would cost us; because, after all, we have to tell our treasury departments what we think our wood is going to cost us. And we have to plan our requirements, cash requirements, budgets, month by month, sometimes 12 or 18 months in advance. And unless we know something about these situations we cannot do that intelligently."

(Evidence, pp. 2097-9)

From the evidence of Mr. W. F. McColm (Donnacona):

"Q. This memorandum -- is its wording exact, as to what took place there?

A. No; I would not consider that the wording was exact. I think it is the same as the other letter -- that it is very vague. For instance, the use of the words 'Rates set' -- well, in no case, in my opinion, were there any rates set. We came to certain conclusions as to what price we would have to pay to get the product. And he further says, 'And the following rates were agreed to and we are to make a tryout giving out contracts on this basis,' -- I guess that is what it is. I think that word 'try' covers it pretty well. Everybody was trying.

Q. It was an estimate, in other words?

A. Yes, an estimate -- more a hope, than anything else."

(Evidence, pp. 2314-5)

Again:

"Q. Would you look down the middle of the page, but before answering if you want to read the context more fully, just take your time. It says:

'Discussions took place, and charges and counter-charges were made in a friendly atmosphere with the following information being divulged. '

My question would relate just to that part and one just a little farther down:

'The Consolidated promised to rule back this one infraction, and all members agreed to a new established price. '

We may break that down and take the first part first. Do you remember any discussion that could properly be described in the words of Mr. Harris as to charges and counter charges being made in a friendly atmosphere ?

A. Well, there was generally some such talk, whether it was right or not, I do not know.

Q. Of what kind ?

A. That somebody was paying more or that somebody was doing something, paying more than the other fellow. There was nothing set and nothing fixed; everything was in a state of flux, especially that year. "

(Evidence, p. 2329)

The documentary evidence shows that KVP was represented at some meetings from 1947 to 1951. In connection with a meeting held at North Bay on October 17, 1947 Mr. L. L. Handford (KVP) prepared a report of the discussions which contained schedules of prices which were prefaced by the statement, "the following prices were set as a maximum." A copy of this document found in the files of KVP has a pencilled notation dated November 8, 1947 written by Mr. B. F. Avery, President and General Manager of KVP, which reads as follows:

"The KVP Company Ltd. does not and has never agreed to a maximum price except as directed by Dominion Control Authority. Prices paid by KVP are established by KVP as conditions warrant. "

(ASE 147-8, 3953-4)

The following evidence of discussions of prices at meetings was given by Mr. A. H. Burk (KVP):

- "Q. Would you come out of these meetings with a knowledge of what other companies were prepared to pay for wood?
- A. I would have the knowledge of what each individual company intended to pay for wood purchased in different districts.
- Q. And would he have knowledge of what you intended to pay?
- A. That is right.
- Q. Would those prices, in so far as they were comparable -- I mean, in so far as they related to the same sectors -- be the same or would they be different, or what would be the position?
- A. They have been different, and they have been the same.
- Q. I am talking about prices that you and other attendants carried out, in your heads, from meeting -- not, for the moment, what took place after.
- A. If I went out of a meeting and said, 'I am going to try to buy wood in that district for 'X' dollars' -- then that was it. I did not go out with my tongue in my cheek saying that I was going to buy at 'X' minus one or 'X' plus one.
- Q. Would the prices which the other companies indicated at the meeting they were going to pay in the same local district -- would those prices be the same prices you had indicated at the time you left the meeting?
- A. No, not necessarily; but at times they have been. At other times they have not been.
- Q. But you might leave a meeting, having announced to other companies, if I understand you correctly, that you were going to pay a price of 'X' dollars in a certain local district?
- A. That I am going to try to buy at that price.
- Q. And they might leave the meeting having announced to

you that, in the same district, they intended to pay a price of 'X' dollars, plus something?

A. That is right.

Q. And your judgment of the quantities available, against the demand, would lead you to adhere for the time being at least to your appraisal?

A. Yes."

(Evidence, pp. 2952-4)

From the evidence of Mr. J. W. Paterson (E. B. Eddy):

"A. We probably sat around a lunch table, or sat around a table like this, and asked each person present what his requirements were going to be for the ensuing year, in the district in which we were interested, -- and it usually was his own one. And then we all put down those figures on a scrap of paper, and tried to get the same total. And we debated whether or not that was a reasonable quantity to expect from the area, and what sort of price the primary producer would take to produce it.

Q. And if it were not a reasonable quantity?

A. If it were not a reasonable quantity?

Q. If the demand apparently exceeded the likely supply, what happened?

A. Well, somebody would probably back up and say, 'You will have to pay more than you paid last year, if you are going to make it attractive for the producer.'

Q. Do you mean by that that the endeavour, then, would be to fix a price which would bring out a greater quantity of wood?

A. The endeavour was to state what was a reasonable market price to produce that amount of wood."

(Evidence, p. 3143)

Again:

- "Q. Now, Mr. Paterson, having arrived at a conclusion, or an estimate, or whatever you wish to call it at the moment, of what was a reasonable price, at one of these meetings, did you ever find that other companies who had attended the meetings were soon thereafter paying a higher price?
- A. Yes.
- Q. And what would be your reaction on such an occasion as that?
- A. Well, we would immediately make inquiries and see if there really was a higher price being paid than we thought was the market price, and we would immediately put it into force.
- In any case what would happen is that our dealers and brokers would come to us immediately and tell us that higher prices were obtaining, that higher prices obtained, and that if we did not meet them, they could not meet their quota.
- Q. Would you feel that the other company had broken faith with you?
- A. Oh no, because there was no agreement in the first place.
- Q. Would you ever complain to the other company?
- A. Yes.
- Q. Upon what basis did you complain?
- A. On the basis that it was probably unnecessarily above what we considered to be the market price.
- Q. Did you complain to them on any other basis?
- A. No, I don't think so."

(Evidence, pp. 3146-8)

From the evidence of Mr. J. R. Cavan (Armstrong Forest):

"Q. There is another note of the meeting by Mr. Day, 5712 to 5714. He reports it as having been held in North Bay. Do you remember attending a meeting or meetings at North Bay?

A. Yes.

Q. I note here in Mr. Botham's report he says:

'The agreed price for peeled spruce pulpwood in zone two including the Angeliers [sic] branch of the C. P. R. was -- '

And he sets it down. Then, he says:

'For peeled spruce in the Ottawa Valley south of North Bay, part of zone one, the agreed price was -- '

And he sets that down. Did you agree upon prices for pulpwood at any of those meetings?

A. No, I did not agree personally on any of those prices, Mr. MacDonald at the time. As I stated before, they were talking about prices and possibly thinking that everybody was going to pay a certain price and I know there was wood being moved for different prices than what they were talking about."

(Evidence, pp. 3246-7)

From the evidence of Mr. G. Godwin (Ontario Paper):

"A. Well, Botham as responsible to me, attended these meetings. I think I have stated earlier that our purpose in either my being present or my sending him, was to acquire information. I am constantly traveling and constantly sending other men to meetings of quite a variety, having to do with our industry, for the purpose of picking up information. The more information I can pick up relative to my company's concern, the better I can operate in my company's behalf.

I am a great believer in that procedure. So, we would go to pick up information and of course, to exchange information because if we constantly attended without saying anything we would not be invited. Our purpose was to try to find out at these meetings or any other meetings, and there were lots of them, as for any particular regions, what were the prospects for production; what did the price appear to be? We have no other means, as I have said, of finding out what the market price is.

We would have -- in the Ottawa Valley, we never had agents but in Northern Ontario and in other parts of eastern Canada, we have had men directly working for us contacting farmers and dealers and brokers trying to find out what the price appeared to be. Then, we would attend these meetings and exchange information with other companies.

On the basis of that information, there would appear from the give and take, and the offers and the counter offers, a price might be X dollars, and in this case specifically mentioned for peeled spruce was \$18 per cord.

When we went to these meetings, there is no denial on our part of this, that appears to be the price -- we would agree that appears to be the market price and we will go into the market in the particular regions under discussion and attempt to buy wood at that price. If we were unsuccessful, we would buy wood at any price we felt we could afford to pay."

(Evidence, pp. 3058-9)

Again:

- "A. Yes, that does apply, our agreement extended to concurrence with the general expression of opinion with respect to the price for each of the species indicated, whether it was X, Y, or Z, we said to the meeting that appears to be the general opinion. We have made our investigations; we have listened to your comments and we have submitted our own; we concur that is a price that we will go out into each of these regions and attempt to buy at that price. But there was no committment [sic] on our part that if there should be a different price, there was never any

contract on our part if there should be a different price we would not be permitted to pay it. Indeed, we did so pay it."

(Evidence, pp. 3060-1)

Again:

"Q. Then, I would show you serials 2926 and 2927 of September 14, 1951. I have no questions to ask about this document. Then, I show you serials 2928 and 2929 of October 1, 1951 and would draw your attention particularly to the third paragraph where Mr. Botham says:

'At the Three Rivers meeting it was agreed to by all to start off with a price of \$20 per cord -- '

And then, in handwriting, the words, 'to the broker' --

' -- in the Eastern Townships, South Shore and New Brunswick. This is a roll back of one dollar per cord as compared with last year's price of \$21. The demand for rough wood from these districts by Canadian companies has dropped off slightly over last year. However, it is anticipated by some that the price would have to be increased to \$21 later on in the season.'

Do your comments with respect to previous meetings also apply to that meeting?

A. Yes, they so apply. That, I think, explains the way we regard this business -- and I am quoting the expression, 'It was agreed to by all to start off with a price of \$20 per cord.' We would agree in such circumstances that, if that appeared to be the market price, we would go out and start off, and attempt to buy at that price. Later on we perhaps would have to change it."

(Evidence, pp. 3072-3)

From the evidence of Mr. R. D. Prince (Ontario Paper):

"Q. I am pursuing the matter further with respect to prices which you discussed at these meetings. Would your understanding when you came away from a meeting be that if you had a particular price in mind, that all the others interested in the same area would try that price out, also?

A. I had in mind that they would try it. I understood it established a kind of market price for that year, for that wood, at that time. And then it was up to each person, according to instructions from his own company, and according to his own necessity, to go out and obtain the wood for whatever price he could bargain it for, from whomever he dealt with -- dealer or broker or, perhaps, directly from the consumer.

BY MR. MacINTOSH:

Q. The producer, you mean?

A. Yes, the producer, I should say."

(Evidence, p. 3004)

Again:

"Q. But these would be representative of the matters discussed?

A. Yes, in a general way, that is right; the quantities to be purchased in different areas and then a discussion of what would seem to be a fair market price for that wood would be discussed. That, after all, was our interest in attending these meetings, because it gave us an indication of what we might have to pay for wood should we go into that area.

We were not obliged in any way, at least our company was certainly never obliged in any way and I was not authorized to agree to any price that might be discussed here. I could express an opinion on whether I thought that seemed a good price or a bad price, but I could not in any way commit myself or my company to agreement that I was not going to buy any wood except at that price. There was never any intention of that sort.

I disagree, as I say, with the efficiency here that was put down. It is all put down as such and such wood at such and such a price. My experience was that only if the demand was very weak would you ever secure your wood for that price.

Q. However, you would endeavour to secure your wood at the price?

A. That would be my offering price, as a basis, of bargaining yes, but I certainly would not go out and offer a higher price. I might even try a lower price to see what would happen.

Q. But you would use that as a maximum price?

A. No, oh no, that was not the maximum price I would pay.

Q. I was thinking, you would use it as a maximum price, a starting point?

A. Yes, and I might try underneath."

(Evidence, pp. 3023-4)

Taken as a whole, the oral evidence supports the allegation of the Director that "Companies would agree upon the maximum prices at which they would originally try to buy wood in the various districts." It is evident from the extracts quoted above that some witnesses described the arrangements in wider terms as involving revisions of the initial prices at subsequent meetings if adequate supplies of pulpwood were not obtainable at the prices first established. From the oral evidence we may now turn to the documentary evidence, which contains a very large number of documents describing discussions at meetings as well as documents passing within and between companies relating to the same matters.

2. The Nature of Practices and Arrangements as Disclosed by Documentary Evidence

While no regular pattern of meetings is shown by the records included among the exhibits, it may be said that generally a meeting would be held during the late summer or early fall to discuss the programme of pulpwood purchases of different companies and to arrive at the offering price for the different classes of wood, types of sellers, methods of delivery and so on. If the situation did not appear stable, a subsequent meeting or meetings might be held to review the conclusions reached at the first meeting. Similarly a meeting or series of meetings might be held in the late winter or early spring to discuss the purchase of pulpwood for the balance of the season or during the summer. At times, practically all districts would be dealt with at the same meeting and at other times separate meetings would be held to deal with particular districts.

The following memorandum of a meeting held on September 8, 1948 was prepared by Mr. T. A. Earley (St. Lawrence, formerly Brompton):

"Memo re Meeting at Quebec on Pulpwood Prices which took place on the 8th of September, 1948

Said meeting was held in the Anglo Canadian Paper Mills Company Office with Mr. D. Ruthman, Woods Manager of the Anglo Canadian Co., in the chair the following were present at meeting:-

D. Ruthman	Anglo Canadian Paper Mills Co.
T. Butler	Asst.-mgr. A. C. P. M. Co.
C. Harris	Ste Anne Power & Paper Co. Ltd.
Sandy Robertson	Gaspesia Sulphite Co.
L. Kugelman	Canadian International Paper Co.
L. Paquette [sic]	Howard Smith Paper Company
A. G. Stalker	Canada Paper Company
L. Wetmore	St. Lawrence Paper Mills Co. Ltd.
T. Mitchell	St. Lawrence Paper Mills Co. Ltd.
MacNally	Brown Corporation
T. A. Earley	Brompton Pulp & Paper Co. Ltd.
A. Letourneau	Brompton Pulp & Paper Co. Ltd.

Most Companies' representatives spoke as though they had large inventories of pulpwood on hand and committed for and saw no reason why top prices paid, last year, should be paid at this time. L. Kugelman and D. Ruthman felt that the price, F.O.B. cars, for rough pulpwood should be \$14.00 per cord, at the present time.

The representative of the Brown Corporation seemed to think that a \$14.00 price will be in order.

Canada Paper felt that a \$15.00 price would be more in order to pay for wood, and I felt that a price of \$14.50, F.O.B. cars, should be paid.

So, finally, it was agreed that a price of \$14.00 to \$14.50 should be paid for pulpwood, F.O.B. cars, West of Levis. That includes the Eastern Townships. And a price of \$14.00, F.O.B. cars, East of Levis. From Matapedia Valley to Rivière du Loup the price to be \$13.50 per cord, F.O.B. cars, this includes New Brunswick.

However it was recommended that we pay no more than \$14.00 for the present for wood, F.O.B. cars, West of Levis and if it was found that wood could not be purchased at that price, then it would be permissible to pay up to \$14.50 per cord.

Everyone in the meeting seemed agreeable to this.

Mr. L. Kugelman told us that his Company were presently paying \$5.75 per cord, roadside, in the Abitibi region, or \$10.00 per cord to producers, F.O.B. cars. He also stated that he had purchased some pulpwood on cars in the Eastern Townships for \$14.00 and a little lower, during past months.

Messrs. Harris, Kugelman and myself were in agreement that the quality of wood should be better in future and that dealers should be contacted before the start of the new cutting season in this regard. It was also resolved that a small book covering specifications for wood would be made up and distributed to all Companies in order to standardize specifications on all wood sold to the different Companies."

(AQD 5, 290)

A more detailed account of the same meeting was prepared by Mr. C. R. Harris (St. Anne) in which he included the following comment:

" . . .

I commented upon the history of the happenings after all meetings last year and although the members state that history will not repeat itself this year, I am

sure that deviations from this gentleman's agreement on rates will be made almost immediately. These rates mentioned serve as a guide."

(ASH 14C-16, 5748-50)

A meeting to discuss pulpwood prices in the Ottawa and Gatineau Valleys is referred to in the following intra-company letter written by J. W. Paterson (E. B. Eddy) on October 30, 1948:

"On September 14th, 1948 a group, representative of pulpwood consumers, met in our premises to discuss rail pulpwood prices for the Ottawa and Gatineau Valleys for the Season 1948-49. Represented were C.I. P. Co., the Gair Company, Howard Smith, Armstrong Forest Products and ourselves. It was agreed that pulpwood would be bought at the following prices:

		<u>Rough Spruce and Balsam to Primary Producers f.o.b. cars</u>
Ottawa Valley (West to North Bay)	\$	12.00
Gatineau Valley		12.00
Mattawa-Angliers Sub-division		11.00

On this basis we let a contract to J. B. Kemp Company for 2000 cords. Attached is a letter from Kemp dated October 25th pointing out that the price currently being paid by C.I. P. and K. V. P. is \$13.50 and not \$11.00. October 27th I telephoned Mr. Kugelmann, who had represented C.I. P. at the meeting of September 14th, and read over to him the Kemp Company's letter. He stated that K. V. P. had set the higher price and were not disposed to discuss the matter with other consumers. The C.I. P. therefore took the attitude that they could not see wood they required being pulled past their Kipawa Mill and they had in consequence met K. V. P.'s price.

This season it matters little to us whether or not we receive Kemp's potential production of 1000 cords from the Angliers Branch but it is a serious matter for Kemp and, in the longer view, for us if we lose contact with producers, particularly those on the shorter rail hauls.

I have brought this to your attention as a case demonstrative of what often happens in pulpwood buying and I would

like an opportunity of discussing with you the policy of 'Sustaining pulpwood contract', where future rather than immediate supply is the important point."

(ARG 175A, 1313)

A detailed account of a meeting at Three Rivers, Quebec on September 29, 1952 was prepared by Mr. C. R. Harris (St. Anne). Although portions of this account attribute quoted statements to individuals, Mr. Harris said, in evidence, that he did not take a verbatim report. The first part of Mr. Harris's report is as follows:

"ST. ANNE POWER COMPANY

MEETING OF PULPWOOD PURCHASE COMMITTEE

THREE RIVERS - SEPT. 29TH. 10:00 A. M.

Present:

T. Whalen	C. I. P.	Woods Manager, Three Rivers
W. Salkeld	C. I. P.	Supt. of all Purchase Pulpwood
Belcher	C. I. P.	Chief of all Scaling
J. Merrill	Anglo	Woods Manager
I. Cheeseman	Anglo	Supt. in charge of all Purchase P. W.
A. Robertson	Gaspesia	Woods Manager
W. F. McColm	Donnacona	Woods Manager
J. A. McNally	Brown	Woods Manager
L. Wetmore	St. Lawrence	Woods Manager
T. E. Earley	St. Lawrence	Woods Manager
L. Paquette [sic]	H. Smith	Wood Purchase
Ed. Ward	Consol.	Woods Purchase
C. R. Harris	St. Anne	Manager

. . . "

Then followed statistics relating to pulpwood requirements and a report of the discussion relating to the same subject. This appears to have taken up the morning session.

The report of Mr. Harris then goes on:

" . . .

2.30 p.m.

6. Resumé of morning discussions:

- a) Purchased 1951/52 1,219,000 (same group)
Planned Purchase 1952/53 1,182,000 (" ")

- b) Purchases still to be delivered before June 1st, 1953 -
213,000

Purchases postponed beyond June 1st, 1953, for delivery - 10,000 (Donnacona only)

New purchases still to be made for delivery prior to June 1st, 1953 40,000 (Merrill told me he didn't need his 20,000)

- c) Anglo, Consolidated, Brown have lowered limit cut and raised purchase requirement each 60,000 cords
180,000 cords

Donnacona, East Angus, Howard Smith have lowered limit cuts and have lowered purchase requirements each 60,000 cords

180,000 cords

- d) Statistics show following planned sources 1952/53 compared to 1951/52 purchases (for those members present).

	<u>1951/52</u> <u>Purchased</u>	<u>1952/53</u> <u>Planned</u>
N. B.	132,000	68,000
P. E. I.	10,000	10,000
North Shore	104,000	110,000
South Shore	383,000	457,000
N. W. Quebec	169,000	190,000
Local	382,000	312,000

Note: (Total wood purchased by rail in N.B. for delivery to Quebec - 200,000 cords in 1951/52 Anglo alone about [sic] 75,000 cords by rail from this source).

7. a) Discussion re Prices:

Paquette - 'I have to go, let us discuss prices'.

Merrill - 'I think we can purchase wood at low prices. I think that \$15.00 f.o.b. car is a good basis'. What do you think Paquette ?'

Paquette - 'You may get a few cords at that price, but I don't think it will hold'.

Harris - 'How can we say that \$15.00 basic price is right when wood today for delivery to your mills at present new purchases are being made at higher prices'. One broker has stipulated to us that he won't sign a contract at less than \$18.00 f.o.b. boat.

Ward - 'I know of wood that is being bought right now at \$15.00 f.o.b. cars to broker on South Shore and Abitibi'.

Earley - 'I have a new contract in N.B. for \$15.00 f.o.b. car'.

Salkeld - 'I have a new contract for \$16.00 f.o.b. bateau - Fraser's are buying wood at \$15.00 f.o.b. in N.B.

Robertson - 'I have f.o.b. mill contracts now at \$15.00 and f.o.b. car Matapedia Valley at \$14.50 and F.O.B. Car N.B. at \$14.50.

Ward - 'We have been recommended a price of \$15.00 f.o.b. car by our superiors'.

Wetmore - 'We look back to 1949 and history is the same. I do not think we should cut back our prices too much - I don't think we will get the wood and as pointed out the demand is high. Our mill depends almost entirely on purchase wood. We feel that \$17.00 f.o.b. boat in the least is not too much.

Merrill - 'Let us have an expression of opinion on \$15.00 f.o.b. car as a recommended basic price.'

(We have been offered 15,000 cords rail at \$15.00 f.o.b. car winter delivery).

<u>Result</u>	<u>Recommended Prices Tally</u>			
	F.O.B. Car		F.O.B. Mill	
<u>Company</u>	<u>Winter</u>	<u>Summer</u>	<u>Truck</u>	<u>Remarks</u>
Anglo	15.00		17.00	(offers made
C.I.P.	15.00 (14. N.W. Quebec)		18.00	(by broker
Donnacona	15.00 plus		18.00	(Truck up to 35 mi.)
Brown	15.00			
Gaspesia	15.00	15.00	15.00	
East Angus St. Law.	15.00 plus		16.25-16.50	(truck up to 75 mi.)
3 Rivers St. Law.	15.00 plus		18.00	
Howard Smith	15.00 plus		16.25-16.50	(truck up to 75 mi.)
St. Anne	15.00		18.00	

Note: No allowance should be made for piling down, Ins., handling, etc. over basic price unless for outstanding specific reasons such as a new siding, a request for delayed shipment, etc.

(Recommended by Ward)

b) Recommended Prices as result of the discussion:

New Brunswick F.O.B. Car	\$14.00 to \$ 14.50
Quebec (anywhere) F.O.B. car	\$ 15.00
Quebec (N.W. or Abitibi) F.O.B. Car	\$ 15.00
Quebec (anywhere) F.O.B. Schooner	\$ 16.50
Quebec (anywhere) F.O.B. Lake	\$ 17.00
Truck to Mill - Anglo	\$ 17.00
East Angus	\$16.25 to \$16.50
Three Rivers	\$ 18.00
Donnacona	\$ 18.00

Agreed to by all parties.

... n

One witness, who had attended this meeting and who recalled it, said in evidence that Mr. Harris had misinterpreted the conclusions reached when he reported that the prices were "agreed to by all parties." As indicated by the extracts from the oral evidence quoted earlier in this chapter, witnesses heard in the inquiry considered that the use of terms such as "agreed" and "agreement" in reports of meetings did not indicate properly the nature of the conclusions reached.

Purchases of pulpwood during the season 1953-54, as will be seen from Table 7, were greater than during the preceding year and the larger scale of purchasing was apparently accompanied by more frequent discussions among the companies on prices and also on practices in connection with pulpwood buying. In the section dealing with the Quebec-New Brunswick district, the Statement of Evidence describes meetings on June 22, August 21, September 17, September 28, October 19, October 27 and November 13, 1953 and January 14, 1954.

A memorandum covering the meeting held on August 21, 1953 was prepared by Mr. T. A. Earley (St. Lawrence) under date of August 26, 1953 for the information of Mr. J. W. Fries (St. Lawrence). The memorandum contained the following:

"On August 21st last, a meeting was held in one of the Howard Smith Paper Mills Offices in Montreal of the following group who are interested in the purchase of wood for Quebec and Ontario Mills. Those present represented the larger users of purchase wood and were:

Cheeseman, I. E.	- Anglo Canadian
Salkeld, W. B.	- Canadian International
Ward, J. E.	- Consolidated
McColm, W. F.	- Donnacona
Clark, D.	- Howard Smith
Harris, C. R.	- Ste Anne Power
Roberge, A.	- " " "
Thom, W.	- Spruce Falls
Robertson, A. D.	- Gaspesia Sulphite
Prince,	- Ontario Paper Co.
Paterson, J. W.	- E. B. Eddy
Chapleau, R.	- Richmond Pulp
Earley, T. A.	- St. Lawrence Corporation

Mr. C. Harris acted as Chairman of the meeting and in my estimation did a very good job. The first subject that was brought before the meeting was the termination of dates of contracts. It was felt that the termination dates should be standardized as much as possible in order to prevent any overlapping of contracts.

This was followed by a discussion of scaling methods and practices used by the different Companies, it being suggested that standarizing of scaling should be worked upon, specifications of wood, quality of wood, etc. The measuring of wood on board lakers and schooners was particularly stressed and certain Company representatives suggested that it would be a good idea from time to time, after scaling wood on boats, to pile wood cut on wharves or on the ground and to re-scale it, which would serve as a check against the result of the total boat scale. It was also suggested that pulpwood be graded into different classes and sold according to grade. The greater majority of the meeting claimed that this would not be practical and would be too complicated and thus lead to too much confusion.

As you are aware, a scaling committee was set up under the direction of Mr. Belcher of the Canadian International Paper Co., I think some time last Fall, the object of said committee was to look into standardization of scaling, quality of wood, including specifications, etc. Our Mr. Jacques Descoteaux represents the Corporation on said committee. It was reported that the above mentioned group were making good progress in their endeavors.

Following the subject of scaling it was decided to discuss total purchases of wood received by the various Companies during the present season, as well as to review the required purchases for delivery to same Mills during 1954.

. . .

In discussing the prices to be paid for pulpwood for delivery at the end of this year and during 1954, most Company representatives felt that we should try to hold the price line and should not pay more for wood loaded on cars at shipping points than we paid for this year's rough pulpwood. My answer to this was that since the production of purchase wood in my estimation was a little short this year to meet the needs of certain Companies, due to shortages on contracts by different dealers and brokers, and that since we needed to purchase more wood for delivery next year, I was afraid that if we did not pay a little more money for wood the desired quantity would not be produced. However, I finally agreed to string along with the majority, for the present at least, in trying to purchase new pulpwood production at this year's prices.

The following prices for farmers' and colons' wood were agreed upon by the majority of those present:

ROUGH SPRUCE AND FIR PULPWOOD

Rail wood F. O. B. cars Abitibi	\$15.00 to Brokers
" " " " "	14.00 " " for Jack Pine
" " " " Rest of Quebec Prov.	\$15.00 to Brokers
" " " " Prov. N. B., N. S.	
and P. E. I.	14.00 " "
Wood F. O. B. Schooners, Quebec Province	\$16.50 " "
" " Lakers " "	17.00 " "
" " Schooners, N. B. - N. Scotia	\$15.50 " "
and P. E. I.	
" " Lakers, N. B. - N. Scotia-P. E. I.	16.00 " "
Wood delivered to Mills by truck	
in Eastern Townships	(\$16.25 to Brokers
	(16.50 " "
By truck to Three Rivers	\$18.00 to Brokers from North Shore
" " " " "	19.00 " " " South Shore
By truck to Mill Gaspé	\$15.50 " "
" " " Quebec City and	
vicinity mills	\$18.00 " "
" " " E. B. Eddy Mill	
Ottawa Valley	\$17.50 " "

Following the discussion of F. O. B. car prices to be paid to brokers, the question of truck wood prices was brought up by D. Clark of Howard Smith Paper Mills. This question referred to the so called rail-truck contracts entered into mostly by Anglo Canadian. Since J. H. Merrill was not at the meeting, it was decided that this matter be brought up for study by the interested parties sometime before the next meeting on pulpwood purchase to be held in this same Howard Smith location at 10.00 A. M., September 17th, 1953.

The meeting then adjourned. "

(2API 87B-91, 9607-11)

A briefer report of the meeting from the files of Richmond reads as follows:

"Re: MEETING AT HOWARD SMITH - 21st AUGUST 1953

It has been agreed that we will try to keep the price to last year's level, which was -

for Abitibi \$15.00 to brokers - \$14.00 to storekeepers, for normal run of wood

New Brunswick	14.00 to brokers - \$13.00 to storekeepers
Matapedia	14.00 to brokers - \$13.00 to storekeepers

However, although everybody had agreed not to raise the prices last year, everybody felt that several of the companies had increased their prices up to \$2.00 per cord and our \$16.00 per cord for 90%-95% Spruce was somewhat below the average. Other companies kept saying that they had not increased the price to brokers, had bought on a delivered price rather than f. o. b. cars and allowed freight to the brokers which enabled them to make an extra \$1.50 profit.

Anglo-Canadian are also paying an extra bonus to truckers to compete with Railways. In this way they are jeopardizing our position and not keeping to our agreement, as with an increase of \$5.50 a cord for truck delivered wood they are in a position to go and pick wood almost from our backyard. This is something we have to hash out at the next meeting.

I have submitted my position to the Chairman in connection with quality; as we do not haul Balsam from Abitivi [sic] at a high freight rate, we have been buying on a selective basis. The same rule applies to New Brunswick and therefore we cannot be expected to pay the same price as the other companies for high quality wood.

Mr. Harris was very non-committal and I could well see that everybody else was paying the price they saw fit. There is a proposed meeting for September 17th to settle this truck wood situation and I am to check with Ed. Ward for the date."

(AQF 202, 63)

The meeting on October 19, 1953 was the subject of a memorandum prepared by Mr. T. A. Earley (St. Lawrence) under date of October 22, 1953 which contained the following:

"Pulpwood purchase meeting - Three Rivers

On Monday last, October 19th, a meeting was held at the Chateau Deblois, in the City of Three Rivers at 1.30 P. M. to deal with purchase wood. The following

Companies were represented at the meeting:

Canadian International	by W. B. Salkeld and T. Whelan [sic]
Anglo-Canadian	" J. Merrill and I. Cheeseman
Gaspesia Sulphite	" S. Robertson
Brown Corporation	" Mr. McNally and Mr. Sullivan
Howard Smith	" D. Clark, Messrs. Couture and Force
Consolidate	" J. E. Ward
Ste Anne Power	" A. Roberge
Richmond Pulp	" R. Chapleau
St. Lawrence Corp.	
Ltd. (3 Rivers)	" L. Wetmore and T. Mitchell
" " Corp.	
Ltd. (E. Angus)	" T. A. Earley

Mr. Fred Salkeld of Canadian International was asked to conduct the meeting and agreed to take the chair. After an exchange of miscellaneous questions as to the purpose of this meeting, Mr. Salkeld stated that it was his understanding that the top executives of our various Companies wished to point out that we were to adhere strictly to present F. O. B. car prices, or in other words, we are not to pay more for pulpwood through brokers, dealers, etc., than we paid for deliveries in 1953 and were to refrain from using dangerous practices that could tend to endanger the present price structure, - to name a few examples, giving more scale at mill in order to gain an advantage over other Companies, accepting unmerchantable wood at mill, giving special bonuses over and above present prices for completion of contracts, giving an extra price for piling down wood when in some cases no down piling exists, also wood being purchases [sic] F. O. B. Mill instead of F. O. B. cars which is also considered a dangerous practice.

After a few questions from the floor in connection with Salkeld's remarks the meeting became a bit listless for a while, but then the question of prices to be paid for Laker and Schooner wood in New Brunswick, Nova Scotia and P. E. Island were brought up and set as follows: New Brunswick \$17.00 per cord for rough wood on Lakers, and Nova Scotia and P. E. I. \$16.50 per cord on Lakers and \$16.00 on Schooners.

The question of rail-truck wood was again brought up and Julian Merrill was again asked how he arrived at a Mill truck price. He said that he deducted \$1.00 from his broker's price of \$15.00 on cars and allowed \$5.50 per cord for trucking the wood, as against the broker's price on cars plus a freight

of \$5.85 plus unloading costs. Most members present agreed that this method of purchasing was very dangerous due to the different angles in purchasing truck wood - so called rail-truck versus local truck. Merrill told the meeting that he was not the only one buying wood in this manner, but that certain Three Rivers Mills and others were doing the same thing. I again suggested to Merrill that he get after the railways in order to obtain freight rates competitive with truck rates. This should solve the problem.

Following the above mentioned, Salkeld felt that we should try to break down to a finer degree our purchase wood figures for 1954, which we submitted at our meeting of August 26th last. This I think most members found rather difficult to do as we were not prepared for this, however a fairly good job was done. The idea of trying to break down figures into smaller zones was to try to determine if enough wood was available in each zone for contemplated purchases. The figures will be compiled and submitted to members at the next meeting to be held in the Offices of the Howard Smith Paper Mills, in Montreal.

Company representatives were asked to supply the meeting with their Mill requirement figures per year on rough basis, which you will find as follows:

. . .

For your information, since the proposed purchase figures were submitted at our first purchase meeting on August 26th, some changes have been made upwards for a few companies and downwards for one or two others. However, I expect to have final and correct purchase figures from our next meeting. I note that the changes already made upwards or downwards does not alter^x the total requirement figure mentioned in my report of August 26th.

The meeting adjourned shortly after discussing prices to be paid for Laker and Schooner wood in Quebec province.

Next meeting will be October 30th in the H. Smith Paper Mills offices, at 10.00 A.M.

x - to any great extent"

There are several documents in the evidence relating to the season 1953-54 which refer to the part taken by senior executives in the policy for pulpwood purchases. On October 20, 1953 Mr. C. B. Davis (Abitibi) wrote as follows to Mr. C. R. Harris of Abitibi's subsidiary, St. Anne:

"The attached document was received here without a letter of transmittal.

Presumably it sets forth conclusions reached at some meeting in Montreal recently.

Did you attend the meeting? If so, how were you notified and, if not, why were we not invited to the meeting?

The items set forth in the statement presumably have been agreed to by whoever attended the meeting. Please determine who attended the meeting and let me have a statement setting forth the names and the companies represented.

This seems a very peculiar way of doing things and I, for one, want to know what it's all about."

(ARF 008A-10C, 2168-70)

The attached document, which was marked "Strictly Confidential (No File Copies)" read as follows:

"The purchased wood situation in certain areas is highly unstable at the present time due to a variety of practices which create disorder. We are, therefore, instructed by our Executives to be guided in the following manner in our purchased wood policy.

(1) Hold regional meetings with the following aims.

- (a) Establish as accurately as possible volume of wood in different categories and species available from a given area at the current price level.
- (b) See that programme for buying in that area does not exceed expected production.

- (c) Arrange for equitable distribution of expected available quantity.
- (d) Where practical and necessary consider wood exchanges between companies to avoid cross transportation of wood and to help stabilize the market.
- (e) No special arrangements with brokers and/or dealers that work against market stabilization, i. e.

Contracts on uncontrollable delivered basis.

Long distance trucking differentials.

Acceptance of off species at same price as quality wood.

Bonuses or premiums for contract completion or overruns and the like.

- (f) Maintain short contract periods to keep market control flexible.
 - (g) Before trading in a new area become thoroughly familiar with all conditions, prices and practices in that area. (Ask somebody that knows.)
- (2) Plans for regional meetings will originate in Montreal. Must cover unstable areas with such meetings as soon as possible. In general, contacts with representatives of other companies (our legitimate competitors) should be entirely open and above board as secrets or smart deals on the part of one company can only breed similar actions by others. Don't let brokers and dealers run our business.

(3) SCALING

A group of eastern companies is now carrying out a survey of scaling practices at mills on receipts of purchased boat, rail and truck wood. It is sincerely hoped that this Committee will bring up solution to many irregularities now existing that tend to give shippers a preference toward one consuming mill against another.

- (4) In short we are directed to stabilize the purchased wood market. The outcome of regional meetings and the activities within those regions will be reported to the Executives who have established this policy. Report fully any difficulties you may encounter in carrying out this policy but with this top executive common aim it is clearly up to us to make it work. "

(ARF 009B-10C, 2169-70)

A document to somewhat similar effect and also marked "Strictly Confidential" was prepared by Mr. J. A. McNally, then of Brown Corporation, and sent to Mr. L. L. Wetmore (St. Lawrence) with a letter dated February 9, 1954 and marked copies to Mr. W. B. Salkeld (C.I.P.), Mr. W. F. McColm (Donnacona), Mr. C. R. Harris (St. Anne), Mr. David Clark (Howard Smith), Mr. J. E. Ward (Consolidated) and Mr. J. H. Merrill (Anglo). The covering letter and attachment read as follows:

"Re: Market Pulpwood Prices

It seems to us that the last few discussions re the market pulpwood situation have degenerated into a series of accusations and recriminations.

We think the basic reason for this has been our failure to realize and solve the problem handed us last Fall by our respective superior officers, when we were told to maintain control of the market pulpwood situation by stabilizing prices and, if necessary, distributing the available pulpwood.

Some months ago, when we saw the present situation developing, we put together some notes which we would like you to consider as a constructive measure for the Season 1954-55, for we believe that unless something is done now along the lines suggested, we shall not be able to maintain control of the situation if and when pulpwood supply should fail to meet demand.

A copy of these notes is annexed hereto.

We should also like to suggest again that the first step in the project of establishing grading rules for market pulpwood is a study of the relative pulp yield values of spruce, balsam and jackpine, with the view of establishing comparative real values for these species. It will then be up to industry to decide whether or not to adopt a

policy of comparative prices in its market pulpwood programme. "

The memorandum:

"MARKET PULPWOOD PRICES

Early in the fall of 1953 wood procurement personnel concerned with market or purchased pulpwood were told to maintain control of the situation by

- (1) stabilizing prices and
- (2) if necessary, distributing the available wood:

By 'stabilizing prices' is meant, we believe, equalizing them for the various shipping methods so that all companies procuring wood from a region or zone may buy it on equal or equivalent terms.

By 'distributing the available wood' is meant estimating the pulpwood production in the various zones or regions using past performance data, ascertaining each company requirements and distributing the estimated production accordingly.

Although some progress has been made in the above problem, we believe it far from adequate and that present price structure will only lead to run away prices in a year of high pulpwood demand. We see no reason why prices this year should increase, but we believe that we should put our house in order before next season by

- (1) revising the list of brokers and
- (2) building up a new price structure.

There is considerable price confusion caused by the fact that some companies buy from universally recognized brokers, some from dealers, some from dealers who are treated as brokers and some direct from the producer. We believe, from considering the list of brokers prepared earlier this season, that there are many listed who should be classed as dealers and that the list should be revised in some manner before next September.

More confusion and accusation is caused by the fact that some wood is bought f.o.b. shipping point while some is bought f.o.b. mill. There seems to be majority feeling

that truck wood should be bought f.o.b. mill or delivery point and that all other types of wood (rail, schooner and laker or LST) should be bought f.o.b. shipping point. We think it should be possible for all companies to adjust their thinking and their practices to reach uniform methods for next season.

Agreement having been reached on the list of brokers and on purchase point for wood shipped by various methods, we would like to see prices built up starting with the 'roadside price to producer' (the only point common to all methods), and adding allowances for each additional component until the final price is found. Such a price build-up would show some or all of the following components in such amounts as follows:

PURCHASE POINT

<u>Component</u>	<u>Truck</u>	<u>Rail</u>	<u>Schooner</u>	<u>Laker (LST)</u>
Roadside price to Producer	\$ 10.00	\$10.00	\$10.00	\$ 10.00
Dealer's Commission	1.00	1.00	1.00	1.00
Loading on truck and unloading	1.00	1.00	1.00	1.00
Trucking allowance	0.10 per cord per mile hauling distance			
Rehandling from dock (when necessary)	-	1.00	1.00	1.00
Stowing	-	0.50	?	?
Financing by broker	?	?	?	?
Broker's Commission	1.00	1.00	1.00	1.00

Graphs could be built up from the above data to show the price which should be paid for wood trucked various distances and shipped by various methods. A sample graph is annexed hereto showing price build-up for farmers' truck wood. Prices would, of course, have to be developed for zones and not for each mile of hauling distance.

One of the most evident examples of unequal or unequal prices in the same zone is the South Shore price for truck wood bought by Anglo-Canadian when compared to rail wood prices. Anglo's price for wood over 40 miles from the mill of \$14.00 to \$14.50 per cord to the broker plus a trucking allowance of 85% of the railroad freight to the mill based on 4,500 lbs. per cord with a maximum trucking allowance of \$5.50 per cord, permits a roadside price to producer of \$12.00 to \$13.00 per cord whereas the company buying railwood in the same area can pay on \$10.00 to \$11.00 per cord to producer at roadside.

We believe the method of establishing a price structure as outlined above is fair to all, but in order for it to work all companies would be required to:

- (1) control their prices, according to trucking distance
- (2) agree to a division or distribution of the wood available in any zone
- (3) be honest with one another for the common good.

All of us believe we can control our trucking prices according to distance. A division of the wood estimated to be available in the Abitibi region is already being done, and the policy could, we think, be applied elsewhere but with admittedly more difficulty.

If we do not get our market pulpwood affairs on a proper working basis now while supply is meeting demand, and if we are not honest with one another, we shall never be able to control prices at time [sic] where all companies are scrambling for wood."

(AQE 14A-16, 3266-8)

A copy of this letter and attachment was found in the files of St. Lawrence, and Mr. J. W. Fries of that company who was questioned about the document made the following statement in the course of his evidence:

"A. The wording of his statement surprises me. This letter, incidentally, was sent out by McNally purely on his own and it was not discussed at any meeting so far as I know. Certainly, I have no recollection of ever receiving orders to stabilize prices or control pulpwood markets from any of my superior officers."

(Evidence, pp. 694-5)

A memorandum of a meeting held on November 13, 1953, prepared by Mr. T. A. Earley (St. Lawrence) contains the following:

"Pulpwood Purchase Meeting - Montreal

On Friday, November 13th, a meeting was held in the offices of the Howard Smith Paper Mills in Montreal, at 10.00 a.m., with the following Companies represented:

Canadian International	by	W. B. Salkeld
Anglo Canadian	"	J. H. Merrill and I. Cheeseman
Brown Company	"	Mr. McNally
Howard Smith	"	D. Clark
Consolidated	"	J. E. Ward
Ste Anne Power	"	C. Harris
Richmond Pulp	"	R. Chapleau
Donnacona Paper	"	W. MacComb [sic]
Ontario Paper	"	Mr. Prince
Spruce Falls Paper	"	Mr. MacRae [sic]
St. Lawrence Corp. Ltd.	"	T. A. Earley

Mr. Dave Clark, of Howard Smith Paper Mills, distributed copies of the agenda for the meeting along with an analysis of the purchased pulpwood market exclusive of Limit operated wood, Quebec and the Maritime Provinces, also data on purchases of rough Spruce and rough Jackpine from Settlers in the Abitibi district, - also rail and truck wood in Quebec from South Shore, North Shore, East of Quebec, Beauce County, etc. and Eastern Townships, - also Purchases of wood by Boat in Quebec and boat and rail wood from Maritime Provinces. I understand that the agenda for the meeting was prepared by the chief buying groups from Montreal, i. e. Howard Smith Paper Mills, Canadian International Paper Co. and Consolidated Paper Company.

Mr. C. Harris, of Ste Anne Power, was asked to conduct the meeting and consented to act as chairman. In his opening remarks he hoped that all parties present would abide by the decisions reached at the meeting. I will now endeavor to give you as briefly as possible the decisions reached by following the different points of the agenda.

1. ABITIBI DISTRICT DISCUSSION

While a total rail and river bank cordage of 121,000 cords of rough wood was purchased in 1952-53 for delivery in 1953, the new estimate for purchases for delivery in 1954 would amount to 117,000 rough cords. It was felt that this quantity would be produced and all agreed to do

their utmost to maintain the present price of \$15.00 per cord to brokers, loaded on cars.

- 2 and 3. Discussion of practice of getting wood trucked to Mill versus shipment by rail. Should the practice be dropped or continued. If it should be continued, what standard practice should be established, etc.
-

At the start of this discussion J. H. Merrill was asked what practice he had adopted and he claimed that over a truck haul of forty miles or over from his mill, he deducted \$1.00 per cord from his broker's price of \$15.00 on cars and allowed for trucking 85% of the rail freight price but in no instance would he pay to a broker over a maximum of \$20.50 delivered to mill. He felt that this practice saved considerable money for his company freightwise and besides he would save the car unloading cost. Most of the boys at this point felt that this saving should not be discouraged. I mentioned at this particular time that rather than continue this practice that the railways should be approached to bring down their rates in order to compete with the truck haul. The reply to this was that the Railways had been approached and that no definite action had been taken by them to date, but that if we continued to hire trucks to haul our wood that eventually the railroads might take some action in the matter.

4. Discussion of paying for boat wood on an F.O. B. Mill basis
-

The majority of the meeting were against this practice and wished to continue to purchase wood F.O. B. boat as in the past, in order to prevent the purchasing of wood in some cases at any old price delivered at the Mill. Donnacona Paper and St. Anne Power were the only companies who wished to purchase their boat wood F.O. B. Mill. Therefore it is my understanding that wood presently purchased, will be bought at a price F.O. B. Boat.

5. Quebec other than Abitibi - Discussion of rough Spruce by rail, particular emphasis on Eastern Townships
-

Most of the boys felt that the \$15.00 brokers price on cars in Quebec could be maintained, and a couple claimed that they had already purchased wood in the Matapedia Valley at \$15.00 on cars but nobody mentioned purchasing wood in the Eastern Townships and Quebec Central points at this

price. I told the meeting that as far as I was concerned that I was yet unable to sign contracts in our local districts at \$15.00 to brokers on cars and that I had heard rumours that prices of \$15.50 to \$16.00 per cord had already been paid and that if I could not purchase my wood at \$15.00 then I would have to go to \$16.00 in order to get it, but that I would for the present ride along with the meeting at \$15.00 on cars with the hopes of signing up contracts at this figure.

6. Quebec other than Abitibi - discussion on rough spruce by boat

Feelings were mixed on the subject of price. Some Company representatives felt that wood could be purchased at \$17.00 per cord to brokers, loaded on lakers, and \$16.50 on schooners, - others felt that a higher price should be paid due to the loading allowance being too low. Finally a decision was reached to maintain the prices already mentioned at least for the present.

7. Quebec other than Abitibi - discussion of rough spruce by truck

The prices for rough wood by truck were discussed and agreed upon for so called local wood, as follows:

Eastern Townships Mills to Brokers \$17.75 to \$18.00 per cord				
Three Rivers	"	"	"	18.00/cd. North Shore wood
"	"	"	"	19.00/cd. South Shore wood
Quebec	"	"	"	18.00/cd. North Shore wood
"	"	"	"	18.50 to \$19.00/cd. Sth sh. wd.

The question of rail-truck wood was again brought up and Merrill felt that he was the only one blamed re the purchase of rail-truck wood when, on the other hand, the Three Rivers Mills were doing the same thing. All pros and cons were discussed once again of the rail-truck versus straight rail purchases and it was decided by the majority of the meeting that since rail-truck wood was a definite saving to Companies, that it should not be discouraged.

8. The Maritime Provinces - discussion of rough Spruce by truck, boat and by rail

All the meeting discussed was the price of wood by boat and rail and the feeling was that wood could be purchased at following prices to Brokers:

By rail \$14.00 per cord on cars at shipping points
" laker \$17.00 per cord on boat " " "
" schooner \$16.00 per cord " " " "

9. 1953-54 Limit wood. How can this be controlled so that settlers wood is not shipped on limit wood contracts ?
-

It was decided that any limit wood purchased by the various Companies would have to be checked and marked by their representative before shipment, in order to eliminate the inclusion of any settlers' wood when shipped. This would mean a close inspection of every area where limit wood is produced.

Near the end of the meeting I was asked if I required any wood for delivery by rail this winter. I replied that I definitely would require some 15,000 to 20,000 cords. Merrill at this point offered to ship some wood to me to help tide me over the winter months, provided I returned the same amount to him next summer. I thanked him for his offer and told him that I would let him know at a later date. He intimated that he could start shipments to me right away. Harris also offered to help us out if we were stuck. Shortly after the above mentioned exchange of conversation the meeting adjourned. It was then about 3.00 p.m. "

(2 API 57B-60, 9639-42)

The meeting of January 11, 1954 seems to have been concerned with particular situations rather than the general conditions of pulpwood purchasing. Mr. T. A. Earley (St. Lawrence) again prepared a memorandum covering discussions at the meeting under date of January 21, 1954, which contained the following:

"Pulpwood purchase meeting - Montreal, Que.

On Monday, January 11th, a meeting was held in one of the Howard Smith Paper Mills offices, in Montreal, at 10:00 A.M., with the following parties in attendance:

Canadian International		represented by	W. B. Salkeld
			Mr. Belcher and
			T. Whelan of
			Three Rivers.
Anglo Canadian	"	"	J. H. Merrill
Brown Corporation	"	"	Mr. McNally
Howard Smith	"	"	D. Clark
Consolidated	"	"	J. E. Ward
Ste Anne Power	"	"	C. Harris
Donnacona Paper	"	"	W. MacComb [sic]
St. Lawrence Corp.	Three		
	Rivers	"	" L. L. Wetmore
"	"	"	"
"	East	"	"
	Angus	"	" T. A. Earley

Mr. Fred Salkeld acted as Chairman at this meeting and opened same with the question of Laker and Schooner wood. All those present who were interested in the purchase of wood delivered by boat, felt that wood could be purchased at prices agreed upon at previous meetings. The consensus of opinion was that more pulpwood was being produced this year than last and that, as far as they could see at the present time, prices for boat wood should hold and the quantity of wood being produced should be sufficient to meet the demands of the industry, as far as boat wood was concerned. The question of Schooner and Laker rates was then brought up and the meeting was of the opinion that Schooner rates should hold this year, same as last year, but that there was a danger of the Laker rates going up.

The next subject discussed was Truck wood. I stated that in certain parts of the Eastern Townships it was impossible for me to purchase rough pulpwood at our dealer's and broker's prices, ranging from \$17.00 to to \$17.75 per cord, due to competition from the Consolidated Paper Company who are paying a delivered price of \$23.00 per cord at their mill, this being equal to \$15.00 per cord at roadside to producers. This being the case, I could not purchase wood for delivery to Bishopton by truck at my present schedule of prices, since the trucking would cost the dealer or broker \$3.00 per cord for the hauling of wood to Bishopton plus a minimum profit of 50 cents per cord. These costs added to a roadside price of \$15.00 would amount to \$18.50 per cord delivered. I reminded Mr. J. E. Ward that he had stated, at our last pulpwood purchase meeting in Montreal, that he would stay out of our buying zones in the Eastern Townships. He agreed having made the statement but told the meeting that he had

been over-ruled by his superiors and was ordered to continue buying pulpwood in the Townships. I asked Ward how many cords of rough wood, for delivery by truck, he intended to buy and he replied that for the present he was interested in 5000 cords, all of which had been purchased and that sixty percent had already been delivered. Dave Clark, of Howard Smith Paper Mills, then backed me up in my statement to Ward and added that the Consolidated Paper Company had created, by their buying, a very disturbing situation in the Eastern Townships due to the high delivered price for wood paid to Cap de la Madeleine, and that if this situation persisted that his Company would not stand idly by and allow the Three Rivers or Quebec Mills to pay non competitive prices and by so doing purchase wood which we normally buy from year to year. He also stated that if the Consolidated Paper Company was still short of the 5000 cords they proposed to purchase, that his Company and possibly the St. Lawrence Corporation East Angus would be glad to purchase and deliver to his mill whatever quantity he felt he needed, provided, of course, that his Company would cease buying within our purchasing area. At this point Ward said that he felt that his brokers had already purchased the 5000 cords in question. Since Mr. Chapleau, of Richmond Pulp, was unable to attend the meeting he asked me to tell Ward that to date he had been unable to purchase any rough wood in certain areas due to the fact that the Consolidated Paper Company was paying too much money for truck wood in the Townships. This little message I delivered with pleasure during the meeting.

I asked J. E. Ward if his Company would be purchasing more rough wood for delivery by truck, other than the 5000 cords, during 1954? To this question he was non committal [sic]. I asked him that if more wood was purchased for delivery to his Company at a later date, if he would agree not to pay more than \$13.50 to \$14.00 per cord at roadside to producers. He replied that he would think this over and let us know, but since that time I have heard nothing from him.

With reference to pulpwood production in the Eastern Townships, both Clark of Howard Smith Paper Mills and myself felt that considerably more wood was being produced this year than for delivery in 1953.

. . ."

Discussion of prices for the 1954-55 pulpwood season took place at a meeting held on August 30, 1954. Invitations to the meeting were sent to various companies by Mr. W. B. Salkeld (C.I.P.) on August 20, 1954 and forms were enclosed on which information was to be given about the previous year's purchases and estimated purchases for 1954-55. The completed forms were to be mailed to Mr. David Clark (Howard Smith) on or before August 26 so that he could prepare a summary before the date of the meeting (AQF 116A, 193).

There are four reports of this meeting included in the documentary evidence. These were prepared by Mr. E. Ward (Consolidated), Mr. I. E. Cheeseman (Anglo), Mr. T. A. Earley (St. Lawrence), Mr. Robert Chapleau (Richmond). The various accounts differ in the amount of detail of the discussion reported but agree as to the subjects discussed and conclusions reached. The following report was prepared by Mr. J. E. Ward (Consolidated) under date of August 30, 1954:

"Notes re Discussion of Purchased Pulpwood Conditions held in Room 14, Windsor Hotel, at 9:30 A.M., August 30th 1954.

Present:	Aimé Roberge	- Ste. Anne Paper
	Linekin	- C. I. P.
	Belcher	- "
	Salkeld	- "
	Ted Earley	- St. Lawrence, East Angus
	Lucien Paquet	- Howard Smith
	Dave Clark	- "
	Prince	- Ontario Paper
	Bill Ramsay	- Diamond Match
	Cheeseman	- Anglo
	Robertson	- Gaspesia Sulphite
	McNally	- Brown Corporation
	Bob Chapleau	- Brompton
	Dean Falker [sic]	- E. B. Eddy
	Ward	- Consolidated

Salkeld acted as Chairman.

Estimated Quantities Required 1954-55

The statements submitted by Dave Clark, based on reports submitted by each individual company, indicate practically no difference in the demand over the preceding season.

Prices

Abitibi

Linekin, of C.I.P., stated that since last March they have been buying at the equivalent of \$13.00 on cars, or \$1.00 less than during 1953-54, and stated that he thought prices should be reduced by \$1.00 over the preceding season. No one else agreed with him and then Salkeld suggested that prices had not actually been reduced but the truckers were absorbing the dollar deduction - in other words, were hauling the wood at \$1.00 less than in 1953-54.

Conclusion

It was decided to hold the price at \$13.00 to the producer; \$14.00 to the dealer; \$15.00 to the broker and \$1.00 less than these prices for jack pine.

Rail Wood South Shore

This was stated to cover all districts in Quebec, except Abitibi, and it was decided to hold the price at last year's level, namely \$15.00 f.o.b. cars to brokers.

Schooner Wood

1953-54 prices were \$16.50 for rough wood f.o.b. schooner shipping point to brokers and \$17.00 for lakers and L.S. Ts. will be continued during 1954-55.

Ward questioned Cheeseman, of Anglo, on the necessity of having a 50¢ differential in favor of loading L.S.Ts. over schooners as he had a report that there was no increase in cost. It was admitted that lakers did cost more than schooners and no objection was taken to the 50¢ differential for the lakers. Cheeseman argued that L.S. Ts. were just as expensive as lakers as all the wood had to be yarded. Ward suggested that in many cases wood also had to be yarded before loading on schooners although in some instances when the haul is short, it can be loaded directly. Cheeseman was not willing to give up the 50¢ differential in favor of L.S. Ts. but Ward asked him to discuss it with Merrill and give it further consideration as Ward was not convinced, from the information he had, that this 50¢ was necessary or equitable.

New Brunswick Wood

1953-54 prices to be continued, namely: \$17.00 for rough wood f.o.b. lakers or L.S.Ts., \$16.50 for schooners.

P. E. I. Wood

Same prices as last year, namely: \$16.75 f.o.b. lakers shipping point and \$16.00 on schooners.

Truck Wood from North Shore of St. Lawrence,
West of Quebec

1953-54 prices to be continued, namely: \$18.00 for rough wood delivered at the mill.

South Shore Truck Wood at Mill

East Angus will pay \$17.75, Richmond Paper at Brompton and Canada Paper at Windsor Mills \$18.00, delivered at the mill. Same prices as last year.

I. P. will pay \$19.00 delivered at Three Rivers but, in answer to my question, admitted they took up the [sic] 5% hemlock. I asked if their \$19.00 price was confined to an area within 40 miles of the mill and Salkeld replied that they do not buy any wood unless they get it at \$19.00. Paquet, of Howard Smith, objected to the extra dollar to cover the ferry charge and also to the fact that they accepted hemlock.

I mentioned that with Richmond Paper and Canada Paper paying \$18.00 for truck wood, we could not compete either for truck wood at this price or for rail wood at \$15.00. I reminded them the same conditions existed last year and that I reserved the right as we have done last year to buy truck wood at a delivered price at Three Rivers outside the 40-mile radius provided we could get it as cheap or cheaper than rail wood on car shipping point \$15.00. This did not meet with very great approval but I pointed out that while Consolidated mills require about 22% of the pulpwood used in the Province, our purchases were about 9% of the total quantity bought. I pointed out that purchased wood was cheaper than limit production and other companies, particularly Richmond, Canada Paper and Anglo were buying anywhere from 40% to 100% of their requirements which gives them a very decided advantage in lower cost and that they must expect Consolidated to increase their proportion of purchased wood from now on.

Truck Wood North Shore of St. Lawrence,
East of Quebec

Ste. Anne Paper, Anglo and Donnacona will continue to pay \$17.50 delivered at the mill.

Ottawa Valley Truck Wood

Salkeld stated their Gatineau and Hawkesbury mills will continue to pay \$17.00 at the mill.

Rail Wood Ottawa Valley

Brokers price to be continued at \$15.00 on cars shipping point.

New Brunswick Rail Wood

Price to brokers to be continued at \$14.00 f.o.b. cars shipping point.

Peeled Poplar

I. P. have been paying \$18.00 from the North Shore and \$19.00 from the South Shore. In reply to Salkeld's question, I said we were paying the same price as rough spruce and balsam which I thought was \$18.00 but would check and give him a definite reply.

Scaling Methods

Salkeld asked Belcher, as Chairman of the Committee, to bring us up to date on their work. I said Consolidated were trying the new system out on all purchased wood delivered this Summer and I was satisfied that we were getting better results. This was confirmed by the number of reports received that suppliers were not altogether happy with the quantity of wood culled or, in some cases, of schooner wood refused outright. It appears that some companies were trying out the proposed scheme in part and some not at all. It was decided that the Scaling Committee will hold a meeting shortly and try to determine a common plan of action for all companies in regard to scaling during 1954-55. I mentioned that while our suppliers were not altogether happy with the returns we were making, we could not expect to continue this practice if and when pulpwood is in short supply unless all companies adopted the same procedure as it will be a foregone conclusion that our deliveries will soon dry up under these conditions.

Leakage of Information

McNally expressed himself very strongly that pulpwood brokers learned in some way not only that meetings had been held but other meetings are to be held. As an example, he stated that he said Lacroix, of the Madawaska Company, on Friday, August 27th, and was told that a meeting would be held in Montreal on Monday morning, August 30th. McNally feigned ignorance and asked where he got his information. Lacroix said from Soucy. This sort of thing has gone on since these meetings are held and has been discussed many times. There is no doubt that some person attending these meetings talks to some of the brokers.

Companies not Represented at the Meeting

No representative was present from St. Lawrence, Three Rivers, nor from Donnacona Company although both have been invited to attend."

(APH 7-10, 5946-9)

Mr. Chapleau's memorandum of the meeting included the following:

" . . .

Canadian International Paper and ourselves favored a reduction of \$1.00 on the basic price for settlers' wood in the Abitibi but the other companies fear that a reduction would cut down production too much and therefore creating a shortage and on the otherhand, there have been talks of the Government boosting stumpage prices on limit operations if the settlers' prices were reduced.

We have therefore agreed to pay the same price as last year but with the understanding that we would demand a still higher quality and a better preparation of the wood.

In that line, we have established a scaling committee which is putting out grading rules so that all the companies will scale on a same basis.

. . . "

(AQF 94, 199)

The report of the meeting prepared by Mr. T. A. Earley (St. Lawrence) included the following paragraph:

"All Companies represented at the meeting promised to abide by the above mentioned prices applicable to their respective sections. However, a couple of Company representatives, one of which was Ed. Ward of the Consolidated Paper Co., stated that if the Railways did not reduce their rates further that they would continue to bring in by truck wood which has been previously destined for rail and would pay a premium price for this wood of approximately 50 cents to \$1.00 less than the combination price of \$15.00 to brokers on cars plus rail freight to Mill."

(AQD 295, 659)

Notice of a meeting to be held in the offices of E. B. Eddy, Hull, Quebec on September 20, 1954 "to discuss matters of mutual interest regarding the 1954/55 season" was sent by Mr. J. W. Paterson (E. B. Eddy) to Mr. W. B. Salkeld (C.I.P.), Mr. D. W. Jamer (James Maclaren), Mr. L. H. Paquet (Howard Smith), Mr. H. J. Daubney (Gair), Mr. W. L. Ramsay (Diamond Match) and Mr. J. R. Cavan (Armstrong Forest) (ARG 76A, 1527; ARG 77B, 1533). Mr. Daubney acknowledged the invitation in a reply dated September 13, 1954, in which he said:

"Thanks for your note of September 3rd advising of the meeting on September 20th. I regret I will be unable to attend myself but Bill Sutherland, who is now in charge of our pulpwood buying, will be there to represent Gair Company."

(ARG 83H, 1531)

Mr. W. S. Sutherland (Gair) said in evidence that he remembered attending meetings in the fall of 1953 and 1954 in Ottawa or Hull at which quantities and prices of pulpwood were discussed by representatives of various companies (Evidence, pp. 3085-7, 3096).

3. Attention Given to Agreed Offering Prices and Conditions

It will be recalled from the excerpts from the oral evidence quoted earlier in this chapter that witnesses generally stated that the prices decided upon at the various meetings were, in a sense, tests of the market and that the actual determination of the prices at which pulpwood was bought was not related directly to agreement on offering prices. The documentary evidence contains many references to agreed prices in addition to the various reports of discussions at the meetings of the representatives of various companies. Study of these documents assists in reaching an opinion as to the significance which was given to the scale of prices which was decided upon from time to time at the inter-company meetings. While the evidence is too extensive to be reviewed in detail, some extracts from it will serve to indicate its general nature.

A scale of prices for the purchase of pulpwood during the season 1952-53 was decided upon at a meeting on September 29, 1952 which has already been described. On October 28, 1952 Mr. T. A. Earley (St. Lawrence) wrote a memorandum to Mr. J. W. Fries of the same company which contained the following:

"As mentioned to you over the 'phone yesterday morning, I have not as yet endeavoured to purchase any pulpwood at the new prices decided upon, since, as you know, I have been away from the office through sickness since the beginning of the month. However, after talking to Paquet and representatives of other Companies, which I plan on doing today, I will then proceed to draw up my price schedules and will see what I can do in the line of purchasing at the prices mentioned to you. In about two weeks of this date I will write you again, advising how I am getting along."

(AQD 367, 449)

On October 29, 1952, Mr. L. L. Wetmore (St. Lawrence) wrote to Mr. W. B. Salkeld (C.I.P.):

"The other evening McNally 'phoned to say that he was having trouble to purchase his wood at our agreed prices and suggested that as most of us would be at the Q.F.I. Council Meeting on Monday, November 3rd., it might be a good idea to get together in the afternoon and review the success we have had in selling our contracts at the prices agreed upon at our meeting here in Three Rivers.

Mac. said he would advise Merrill and McColm and wondered if you could get in touch with the Montreal group, i.e., Ward, Paquet and any others you may know of who could attend."

(2 API 136, 9561)

In a letter of December 10, 1952, Simak Limited, broker, wrote to Mr. J. E. Ward (Consolidated):

"Just to keep you posted, I wish to advise that Anglo Canadian are paying \$17.00 per cord to Brokers f.o.b. L.S.T.'s. I suppose that \$0.50 is the difference for rehandling on wood assembled in yards for L.S.T.'s.

Anglo is also buying in Buctouche and Richibucto, N.B. for delivery on their vessels. They are spreading out considerably."

(BMH 110, 10831)

Replying on December 11th, 1952, Mr. Ward said:

"Answering yours of the 10th, re the price of \$17.00 paid to Brokers F.O.B. L.S.T.'s. There was an understanding that an extra 50¢ would be allowed for the wood that had to be loaded on Lakers or L.S.T.'s."

(BMH 109, 10832)

From time to time there were meetings of representatives of those companies interested in purchasing pulpwood in a particular district. One such meeting is referred to in the following intra-company letter of December 19, 1952 from Mr. T. A. Earley to Mr. J.W. Fries (St. Lawrence):

"As mentioned to you over the 'phone a few days ago, we had a meeting at Windsor Mills to discuss the purchase of wood, at which meeting Messrs. L. Paquet and Clifford Force of the Canada Paper Co. were present, along with Mr. Robert Chapleau of the Richmond Pulp & Paper Company.

After considerable discussion, it was agreed that we will stick to present truck wood and rail wood prices, that

is to say, \$15.75 to \$16.50 for truck wood and \$15.00 to brokers on cars for rail wood.

It was further agreed that, in the event that prices for wood increased during the life of any of our contracts, we would meet the competition by paying the increase in price on all undelivered balances of wood as we felt that this was the only way that we could hold our wood, should this situation occur, otherwise the wood earmarked for our Companies by the different dealers would be sold to other parties at higher prices."

(AQD 407, 459)

On November 14, 1952 Mr. J. E. Ward (Consolidated) wrote to Mr. L. L. Wetmore (St. Lawrence) as follows:

"This week I received two reports, which I want to bring to your attention.

The first states that a purchase was made for your account from James Richardson & Company by Mr. Stewart Collins for rough spruce at \$17.00 F.O.B. Cap Chat and vicinity. I understand that Mr. Collins is an employee of your Company who buys directly for your account. If this is correct I wonder if some consideration will not have to be given to the price paid to offset the commission, which must be paid to broker. In other words if a broker was buying this same lot of wood he would either have to ~~pay~~ buy it at \$16.00 to get his \$1.00 commission or sell it at \$18.00.

The second report comes from our Buying Agent. It covers a purchase made by Mr. Collins' Assistant from Gendron & Dumont of St. Octave de L'Avenir. The quantity was 1,500 cords and the price to be paid according to Gendron & Dumont is \$17.00 F.O.B. schooners.

In this particular case our Agent had earlier negotiations, which were carried to a point where a contract for 1,500 cords was sent for the suppliers' signature plus a \$1,500.00 advance. These men saw our agent and were willing to sign at \$17.00 stating that price had been offered by your representative.

I would be glad to have your views on the above."

(API 153, 2615)

Mr. Wetmore replied to this letter on November 17, 1952 as follows:

"I would acknowledge your letter of the 14th instant concerning certain reports that our purchasers are paying higher than the agreed price on the Gaspe Coast.

James Richardson & Company have been one of our suppliers but we have not been able as yet to negotiate a contract with him at the price of \$16.50.

As regards Gendron & Dumont of St. Octave, Mr. Collins advises me that he does not know this party and naturally no contract is signed with him or no offer has been made to him.

I can assure you that no contracts for farmers wood have been given out over the price of \$16.50."

(API 152, 2616)

It will be noted that Mr. Wetmore considered that Mr. Ward's letter had reference to "the agreed prices."

On November 7, 1952 Mr. C. A. Benjafield (Howard Smith) wrote as follows to Mr. L. H. Paquet of the same company:

"As a matter of interest we would like to pass along the information Harry O'Connor is paying \$15.00 a cord to producer for rough spruce and balsam in the Ottawa Valley.

We were told his buying is for C.I.P. interests and thought maybe you would like to bring this to Fred Salkeld's notice."

(AQG 128B, 1785)

Replying on November 11, 1952, Mr. Paquet wrote:

"Fred Salkeld states that Harry O'Connor's old contract was cleaned up quite a while back and that he has a small one with Peter Morley at \$15.00 per cord and the written understanding being that the producer's price is to be \$14.00.

He finds it hard that he should be paying \$15.00 producer's but nevertheless he will try and look further

into it and see what he can find."

(AQG 127A, 1786)

In referring to a meeting held on June 22, 1953, Mr. L. L. Wetmore (St. Lawrence) wrote on June 27, 1953:

" . . .

At this Meeting it was recognized, that while we were trying to maintain a uniform price for pulpwood, there did not appear to be any uniformity in the scaling and grading standards"

(2 API 118, 9579)

The following is included in an account dated October 20, 1953 by Mr. T. A. Earley (St. Lawrence) of a meeting held on September 17, 1953:

" . . .

Nothing exciting transpired at this meeting, excepting to argue the pros and cons on rail-truck and local truck wood. Mr. Merrill felt that he was saving money for his Company by continuing his rail-truck practice, since he had his wood delivered by truck cheaper than if he permitted original contracts to be railed to his Mills, and he also mentioned the fact of the unloading saving at Mill by truck as against cars. He also claimed that he could not handle wood by rail during the Summer and early Fall months at his Mill due to poor unloading facilities, therefore he had to bring in more truck wood. All other Company representatives at the meeting felt that we should strive one hundred percent to keep prices in line and should refrain from using any buying practice which would tend to endanger our price structure.

. . . "

(AQD 313-4, 519-20)

A meeting of representatives of Brown Corporation, C.I.P., Consolidated and Richmond was held in Montreal on October 27, 1953. An account of this meeting found in the files of Richmond contains the following:

"Their Broker seems to find heavy opposition in the market. However, we felt it was a little early to make any changes in prices and we thought we ought to wait another two or three weeks before making any decision. The response to sell on the Dealer's part is probably due to the fact that some more contracts are still running at a higher price. What is more, we have learned that Howard Smith's brokers - Napoleon Gagnon & Son are cutting their commission in half and paying \$14.50 rather than \$14.00 as agreed for immediately delivery, so that they have the volume. There is a tentative meeting in the week of 2nd November - possibly on Friday 6th.

The New Brunswick boys for boat wood are finding a terrific opposition and they have been quoted \$19.00 f.o.b. Steamer, rather than \$17.00 as anticipated. If they should jack up their price to \$18.00 or \$19.00, our rail wood price of \$14.00 f.o.b. car is out of range. We all felt sure that the Abitibi region could certainly supply the volume from there. There were several complaints from everybody as to breach of agreement. Linniken [sic] claims that Lagueux bought a car \$16.00 per cord f.o.b. car from a dealer for Richmond Pulp. I corroborated that and said the contract was completed or cancelled by the end of October which seemed to satisfy everybody and my statement was cross-checked by Mr. McNally, who had been informed by some of our Brokers that their contracts were ending October 30th.

The main purpose of this meeting was to settle the truck wood bought in Abitibi by C.I.P. Nothing concrete, or if anything at all has come up - nobody wants to give, but they all want to take. I for one have already agreed to reduce the percentage of Spruce to 80% rather than 95%, in order to pay the same price as the others.

. . . "

(AQF 92, 82)

In a letter of November 10, 1953 to Mr. C. R. Harris (St. Anne), Mr. Walter Kishbaugh (Abitibi) wrote:

" . . .

It is our understanding that during your visit to Toronto office this matter was discussed with Mr. Davis, and it was decided that we would pay the same price as

last year, or the price which was agreed upon at your next [last?] meeting in connection with purchase wood. At all events, the matter was fully covered, and we believe that you understand there is to be no increase in purchase wood price unless it is forced upon us by action of our competitors."

(ARF 026, 2181)

Writing to the President of Donnacona in a letter of October 22, 1954, Mr. W. F. McColm of that company said:

"In accordance with the general agreement earlier this season the brokers' price for purchase wood was established at last year's price.

. . ."

(ATE 1, 6840)

When asked during his examination whether the term "general agreement" referred to an agreement with other companies, Mr. McColm testified:

"A. That is certainly what I am referring to, except that I think I have misused the word 'agreement'. The prices I give are based, again, on my Jacques Cartier price, to average roughly \$20."

(Evidence, p. 2369)

The following memorandum was prepared by Mr. Robert Chapleau (Richmond) on March 14, 1955:

"HOWARD SMITH still insist in paying \$18.00 for their poplar when we paid \$17.00 throughout last summer.

They claim that their specifications are stiffer than ours which is the cause why they pay \$1.00 extra.

During a meeting we had before at their office, Lucien Paquette [sic], their Woods Manager, came to agree to my idea of not paying \$1.00 extra for special wood in Abitibi and right before our eyes he does the same trick.

We are paying \$14.25 for peeled poplar for the kraft. I find that the jump from \$14.25 to \$18.00 is too great for any specifications. They also feel that ~~we~~ they cannot get their peeled soft wood for less than \$25.00 when we had contracts last year ranging from \$22.00 to \$23.75 which is a long way from their \$25.00

I am to get in touch with Lucien Paquette sometimes [sic] next week to clarify this matter, as this would mean approximately a \$10,000. increase in our cost if we have to boost our poplar price to meet competition.- "

(AQF 128, 209)

When asked about this matter, Mr. L. H. Paquet (Howard Smith) gave the following evidence:

"Q. . . . Do you remember a meeting right in your office?

A. Yes, I do.

Q. When would that be?

A. Well, I would say it was last fall, but again he refers to that I agreed to his idea of not paying \$1 extra for wood in Abitibi, but there was no meeting where we went ahead and paid \$18 against their \$17 on field poplar.

Q. Then, he ends up by saying:

'I am to get in touch with Lucien Paquet sometime next week to clarify this matter, as this would mean approximately a \$10,000 increase in our cost if we have to boost our poplar price to meet competition.'

Do you remember whether Chapleau got in touch with you about the matter?

A. I think he did, if I remember correctly.

Q. Do you remember what took place when he did?

A. Well, there were a few words on the phone, but we kept on paying \$18 and I do not know what he did with his \$17.

Q. I think I may have misunderstood what you said about the third paragraph. He says:

'During the meeting we had before at their office, Lucien Paquet, their woods manager, came to agree to my idea of not paying \$1 extra for special wood in Abitibi . . .

A. Well, that is a little miswording because at the time he came to see me, if my memory serves me right, he was paying \$1 extra for special wood in the Abitibi. He says, 'came to agree to my idea of not paying \$1 extra . . .' -- well, it was not his idea because he already was paying \$1 extra. What he objects to is that, right before our eyes, he does the same trick, meaning that on peeled poplar in the Eastern Townships in order to get special quality poplar we pay \$18 against his \$17. At the time of the meeting referred to, there was no reference to the price of poplar.

Q. It was merely wood in the Abitibi?

A. That is right."

(Evidence, pp. 587-9)

Mr. Chapleau's evidence was as follows:

"Q. . . . Do you remember whether or not anything came of that?

A. Yes, I am up to \$18 instead of \$17.

Q. Up to Howard Smith?

A. That is right.

Q. When did you start paying \$18?

A. I have not started yet, I am negotiating contracts at that price."

(Evidence, p. 964)

At times agreements were reached at meetings as to the date on which buying would begin in a particular district for a certain class of wood. In cases where such decisions can be checked with the list of contracts given in Exhibit H-45 it is generally found that the earliest contracts in a season are dated at or about such named date.

CHAPTER IV

PERIOD OF THE KOREAN WAR

1. Situation in the Pulpwood Season 1949-50

When discussions were held among representatives of various pulp and paper manufacturers in anticipation of the wood-cutting season 1949-50, it became evident that overall quantities estimated for both purchased and limit wood would be lower than for the preceding year. Production of most lines of paper, other than newsprint, was lower in the calendar year 1949 than in the preceding year according to the statistics published by the Dominion Bureau of Statistics.

A meeting to discuss purchased wood was held in Montreal on August 11, 1949. A five-page memorandum on this meeting was prepared by Mr. C. R. Harris (St. Anne) which included the following:

"Notes on Discussion re Purchase Wood, Montreal, Quebec,
August 11th, 1949

Those present were:-

	<u>Last Year's Purchases</u>	<u>This Year's Purchases</u>
Mr. J. [sic] D. Ruthman of Anglo Canadian Pulp & Paper Mills, Ltd.	180,000	150,000
Mr. Kugelman and Mr. Salkheld [sic] of Canadian International Paper Company	250,000	230,000
Mr. Mitchel [sic] of St. Lawrence Paper Company	100,000	90,000
Mr. Clark of Howard Smith Paper Mills, Limited	80,000	80,000

Mr. T. Earley of Brompton Pulp & Paper Company, Limited	100,000	?
Mr. C. R. Harris of St. Anne Power Company	40,000	40,000

. . .

Mr. Kugelman undertook to discuss the possible base price for the coming year by building the following appraisal figures:-

Miscellaneous	.50¢
Stumpage	2.50
Cut	3.50
Horse Haul	1.00
Truck Haul	2.50
Profit	<u>.50</u>
Total	<u>\$10.50</u>

This figure of \$10.50 more or less agrees with Howard Smith's calculation of \$10.00 to \$11.00. In discussing this price at some length the gentlemen present decided that there should be a differential for wood in N. B. at \$9.50, f.o.b., and from Gaspé Peninsula to Ste. Anne des Monts east, \$9.50, f.o.b. Mr. Clark mentioned that his company had been offered peeled wood by brokers at a price of \$14.50 f.o.b. This would mean a differential of \$4.00 between rough and peeled tentatively for the coming season as compared to the differential of \$16.25 to \$24.00 f.o.b. at the peak price in 1948.

Mr. Mitchel gave the following prices as evidence of what his company is paying:-

Peeled Wood, N/B. f.o.b. car	\$16.00
Bateau Wood, f.o.b. mill	\$18.25
Truck Wood, f.o.b. mill	\$15.50
Bateau Wood, peeled, f.o.b. mill	\$19.00

Mitchel seemed to be quite affected by the discussion regarding the extraordinary differential between last year's prices and this year's apparent prices; to wit, \$14.00 f.o.b. at this time last year for rough wood as compared to \$10.50 f.o.b. for rough wood this coming season. There was considerable discussion regarding this item and Ruthman

stated that it would possibly be best for us to 'break the ice' with the \$10.50 price without attempting to make any purchases (no one seemed to be very much prepared to buy any wood at present). We could then meet again in a couple of weeks or so to determine definitely the price at which we should make up our purchases for the coming year. Ruthman mentioned that the brokers had been requesting him to make a price in order that they could start their woods operations on their own small limits and in order to make arrangements for farmers' wood ahead of time. The differential between wood produced on farmers' lots by farmers and wood produced on the small limit areas by brokers has a difference of \$1.75. This would mean that the brokers' price for wood made on small limit operations would be \$10.50 plus \$1.75.

. . ."

(ARF 013C-017G, 1959-63)

The situation in the Abitibi district was reviewed at a meeting held in Montreal on September 9, 1949. The following is a report of the meeting prepared by Mr. W. Kishbaugh (Abitibi):

"ABITIBI PULPWOOD COMMITTEE MEETING
WINDSOR HOTEL, MONTREAL
SEPTEMBER 9TH, 1949

<u>Present:</u>	<u>Company Represented</u>
E. R. Goulet Chairman	Canadian International Paper Co.
L. H. Paquette [sic]	Howard-Smith Paper Company
D. Ruthman	Anglo-Canadian Pulp & Paper Mills
E. [sic] Corbett	Brown Corporation
R. Routcliffe [sic]	The E. B. Eddy Company
C. R. Harris	St. Anne Power Company
L. Wetmore	St. Lawrence Paper Mills Limited
(No representative)	Quebec North Shore Paper Co.
(No representative)	Spruce Falls Power & Paper
(No representative)	Thompson-Hyland Lumber Company
W. Kishbaugh	Abitibi Power & Paper Co. Ltd.

PRODUCTION

<u>Company</u>	<u>1948/49</u>	<u>Estimated 1949/50</u>
C.I.P.	35,000	0
E.B. Eddy Company	13,000	0
Brown Corporation	10,000	10,000 - 20,000
Howard-Smith	20,000	15,000 - 20,000
St. Lawrence Paper Mills	5,000	10,000 - 20,000
Spruce Falls Power & Paper	10,000	5,000 - 10,000
Abitibi Power & Paper	0	0
Total	93,000	40,000 - 70,000

Attached is a statement showing, for the various trucking distances, the amount to be paid for wood. The important points covered by the meeting are :-

- (1) The price paid to the settlers is to remain the same as last year.
- (2) Bush advances are to be eliminated, and wood will be purchased at roadside.
- (3) Trucking rates are to be reduced 25¢ per cord for all distances.
- (4) The price on cars will be 25¢ less than last year on account of the reduction in freighting.
- (5) The dealers' profit is to be reduced from \$1.00 per cord to 75¢ per cord, and the price to the dealer will therefore be \$10.50 or 50¢ less than was paid last year.
- (6) The price to brokers will be \$1.00 in excess of the price paid to dealers, or \$11.50 per cord. Brokers are allowed this extra profit since they finance the dealers and the settlers.
- (7) Any jackpine purchased will be at a price of \$2.00 less than the price paid for spruce.
- (8) The above applies only to settlers' wood and there was no price recommended or established for Limit wood purchased from brokers.

Since the minimum production this year will be less than half of the volume produced last year, there was some discussion regarding the advisability of making a further reduction in the purchase wood price. Representatives for the Howard-Smith Company and the C.I.P. Company argued very strongly that there should be no reduction in the price paid to settlers. They feared that, if last year's price to the settler was reduced, there might be some Government intervention, and they did not want to risk Government intervention in this matter. Since these two companies practically regulate the price to be paid in the Abitibi District, it was agreed that the price to the settler should remain the same as last year.

Other features of last year's operation would remain the same. There would be a hold-back of 25¢ per cord until the contract is completed. There would be a reduction of 25¢ per cord for wood piled down. There would be a rehandling charge of \$1.25 for wood piled down. No fire-killed wood would be accepted as peeled wood. Top diameter must not be less than 3-1/2".

Some of the companies will this year purchase wood at a price F.O.B. cars Mill Yard, while others, particularly the Howard-Smith, will continue to purchase their wood F.O.B. cars or F.O.B. roadside. If the C.I.P. purchase any wood, they also would purchase F.O.B. cars or roadside. The companies buying wood F.O.B. Mill Yard would be able to better control the quality of the wood since it is the stated intention of such companies to cull heavier than was done last year and to charge back to the shipper freight on wood culled.

Howard-Smith is particularly interested in the purchase of settlers' wood, and they have an organization in the field to deal directly with the settlers. They are therefore in a better position to secure wood from the settlers than would a company who purchase wood in the area from brokers."

(ASH 6B-7, 5734-5)

The anticipated production of pulpwood in 1949-50 was reviewed at a meeting of the Executive Council, Woodlands Section, C.P.P.A. held on October 18, 1949 as indicated by the following extract from the minutes:

"A statement of the anticipated production for 1949-50 was tabled, and showed about 3,600,000 cunits of limit

wood and 2,000,000 cunits of purchased wood, a total of 5,600,000 cunits. This is 25% less than last year's actual total production, with limit wood down 29% and purchased wood 15%. The limit cut is thus only 55% of the actual cut two years ago. The purchased wood proportion (35%) of the total is believed to be a record."

(BKC 1031, 8001)

The progress of pulpwood production was reported at a meeting of the Executive Council, Woodlands Section, C.P.P.A. held in Toronto on December 13, 1949, as follows:

" . . .

Pulpwood
Production

The Manager reported that pulpwood production in terms of program was satisfactory as at October 31st. Limit cut was 1,400,000 cunits and purchased 940,000 as compared to 1,880,000 and 1,100,000 at the same time last year. Consumption to date is 9.5% under last year, and present total inventory is keeping pace, bearing about the same relationship to current consumption as last year's did. He pointed out that at current consumption rates the planned production reported to date would bring total wood inventories dangerously low. He was requested to send out another Questionnaire to compile a revised estimate, as program changes have been made or are contemplated.

. . ."

(BKC 1304, 7927)

A meeting to consider the price of pulpwood during the spring of 1950 was held by representatives of some companies interested in the Ottawa Valley on March 2, 1950. Mr. R. S. Botham (Ontario Paper) made the following report of the meeting for Mr. Gordon Godwin of the same company:

"On March 2nd I attended a meeting in Ottawa in connection with prices to be paid for purchase wood this season. There were thirteen representatives in attendance at the meeting, representing the following Companies:

The E. B. Eddy Co.
Canadian International Paper
Armstrong Forest Products
James MacLaren Co.
K.V.P.
Howard Smith Company
Ontario Paper Company
G. W. Jones

The chief topic of discussion was the price for peeled poplar and peeled spruce, in the Ottawa Valley, Gatineau and Old Zone 1. There was much discussion in connection with the price of poplar. Last year's price was \$11.00 to the producer. Some thought it should remain the same for this year. Howard Smith pointed out that while the agreed price for last year was \$11.00 they were able to buy a part of their requirements for \$10.50 per cord and thought they could buy the quantity they required this year for \$10.00 per cord. As Howard Smith are the largest buyers of peeled poplar this price was agreed upon, with the stipulation that any buyer, after investigating the market, could recommend an increase in this price if it was felt he could not fulfill his requirements at the \$10.00 price agreed on. There would then be another meeting called before April 15th. As near as could be ascertained at the time of the meeting, the total requirements of peeled poplar this year will be approximately 130,000 to 140,000 cords, Howard Smith being the main buyer. A. H. Burk of K.V.P. stated he may have to pay higher than the agreed price west of North Bay and along the Soo Line as the Detroit Sulphite are going to buy in that district this year and they may offer higher prices in order to secure the quantity they are after.

This recommended and agreed price for peeled spruce for the same area is \$14.00 per cord to the producer. Last year's price was \$15.50 per cord. It was impossible to ascertain the quantity of peeled spruce the various companies intended buying.

To the above prices is to be added the Broker's commission of \$1.00 per cord, or \$1.50 commission to the so-called super broker.

A meeting is to be called shortly to decide prices to be paid north of North Bay on the Ontario Northland Railway.

There was no discussion on rough spruce as to price but it was anticipated there would be a greater demand for this type of wood this coming season."

(ASD 040-1, 2902-3)

The meeting in regard to the North Bay district, referred to in the foregoing memorandum of Mr. Botham, was held on March 30, 1950. Mr. Botham made the following report on the discussions at the meeting:

"On March 30th I attended a meeting to discuss, with representatives of Companies interested, the prices to be paid for peeled pulpwood. The Companies were represented by the following:

L. Paquet	Howard Smith
H. Killoran	" "
D. Clark	" "
C.W.R. Day	Abitibi (Iroquois Falls)
E.E. Granger[sic]	" (Sault)
W.B. Selkeld[sic]	C.I.P.
A. H. Burk	K.V.P.
L.L. Handfort[sic]	"
J.W. Daigle[sic]	"
R. Cavan	Armstrong Forest Products
R.S. Botham	Ontario Paper Co.

Much of the meeting time was taken up discussing the price of peeled poplar. At the meeting in Ottawa on March 2nd a price of \$10.00 was agreed upon to the producer, with the understanding that after a survey of possible sources was made in the field, anyone that felt they could not secure the poplar required would have the matter brought up for discussion at this meeting. Burk of K.V.P. had a survey made of the area he was most interested in and reported that the quantity of wood he required could not be purchased at the agreed price of \$10.00 to the producer. Everyone else, particularly Howard Smith, insisted poplar could be purchased at that price and after much haggling Burk agreed to keep in line as near as possible with this exception; that he be allowed to pay \$10.50 per peeled cord East and South of North Bay to Pembroke. This was agreed to by those present. Burk claimed he was paying \$11.00 for such wood west of Espanola and more in some instances. He calimed [sic] others (Detroit Sulphite) were paying higher prices than his company were offering.

The agreed price for peeled spruce pulpwood in Zone 2 including the Angliers branch of the C.P.R. was:

\$17.00 per cord to the producer
\$18.00 " " " " broker and 50¢ above this to
the so-called super broker.

For peeled spruce in the Ottawa valley south of North Bay, part of Zone 1, the agreed price was:

\$15.50 per cord to the producer and
\$16.50 per cord to the broker.

There is to be another meeting in Montreal on April 12th to discuss prices for the Abitibi District and the South Shore of Quebec.

Rough wood prices were discussed briefly but it was decided that it was too early in the season to discuss prices but to defer such a discussion until about August 1st."

(ASD 038-9, 2904-5)

The pulpwood situation in the Abitibi district and the South Shore of Quebec was discussed at a meeting held in Montreal on April 12, 1950. At this meeting reference was made to the possible influence of purchases for export to the United States, particularly with respect to peeled pulpwood from the South Shore. Mr. R. S. Botham (Ontario Paper) prepared the following report of the meeting:

"On Wednesday, April 12th, I attended a meeting in Montreal to discuss, with representatives of other companies, the prices to be paid for peeled pulpwood in the Abitibi District and the South Shore of Quebec this season. The companies interested in purchase wood were represented by the following:

W. B. Salkeld, C. I. P.
E. R. Goulét, C. I. P.
J. W. Paterson, E. B. Eddy
L. M. Routliffe, E. B. Eddy
L. H. Paquet, Howard Smith
D. Clark, Howard Smith
W. F. McColm, Donnacona Paper
C. R. Harris, Abitibi (Ste. Anne)
E. Ward, Consolidated
T. A. Earley, Brompton
L. L. Wetmore, St. Lawrence
T. F. Mitchell, St. Lawrence
R. S. Botham, Ontario Paper

From the information available it would appear that the different companies are out to purchase approximately 60,000 to 65,000 cords in this district. Some expressed doubt that this quantity would be produced this season. However, Howard Smith claimed they would hand-peel some if necessary. Howard Smith are the chief buyers and are out to get 40,000 cords if at all possible; the amount they do not get will be made up in rough wood. Last year approximately 25,000 cords were produced in the Abitibi and Howard Smith Company purchased about 18,000 cords of this amount.

The following prices were agreeable to everyone present at the meeting:

<u>Miles, Trucking</u>	<u>Roadside</u>	<u>Trucking</u>	<u>Producer</u>	<u>Dealer</u>	<u>Broker</u>
0-10	13.00	2.00	15.00	16.25	1.00 +
10-15	12.50	2.50	15.00	16.25	
15-20	12.00	3.00	15.00	16.25	
20-25	11.50	3.50	15.00	16.25	
25-Up	11.25	3.75	15.00	16.25	

These prices are 25¢ per cord higher than last year's prices.

None of the companies represented were interested in the purchase of peeled poplar in the Abitibi District this season.

On the South Shore the indications were that the interested companies intended to buy approximately 50,000 to 55,000 cords, of peeled pulpwood in this district. Those in the know thought this quantity would be available, providing American buyers did not drain all the wood cut that is exportable. This also would have an influencing effect on the price. Again Howard Smith are the chief buyers and it is their intention to get 20,000 cords, if possible. They have not been active on the South Shore for some time.

The agreed price for this area is \$15.50 per cord, f.o.b. cars to the Broker, which is the same as it was last year.

Enquiries were made and it was ascertained that it costs 75¢ more per cord when wood is loaded on schooners and \$1.25 more per cord when loaded on lake boats."

The situation with respect to pulpwood supplies was reviewed by Mr. W. A. E. Pepler, Manager, Woodlands Section (C.P.P.A.) in a confidential report dated May 4, 1950, which contained the following:

" . . .

The limit production as at March 31st, 1950, was 3,754,000 cunits, about 25% less than at the same time last year. It is probable that the total limit production for the year will be about 3,900,000 cunits, some 10% more than was planned.

The purchase acquisitions as at March 31st totalled 1,877,000 cunits, or 84% of the program.

The total production for the year is estimated to reach 6,200,000 cunits, which will be 17% less than last year's total production.

The consumption to date is approximately 6,300,000 cunits.

The total physical inventory of wood is 7,700,000 cunits, about 1,300,000 cunits less than at the same time last year. Over 1,000,000 cunits of this reduction is in the undelivered production still in the woods. The block-piles and stream and other storage inventories are roughly 5% under last year's figure.

The indicated inventory at May 31st represents 10.7 months supply at the consumption rate of the last four months (December, January, February, March). In terms of month's supply at current consumption rate, this is an exceptionally low inventory."

(APF 39-40A, 2858-9)

2. The Outbreak of the Korean War

The Korean War broke out on June 25, 1950. The commencement of hostilities led to an immediate increase in industrial activity, production for military purposes was accelerated and industry generally sought to build up rapidly stocks of materials and supplies. Even before the outbreak of war there had been an upswing in business which was already noticeable in the pulp and paper industry. The following table shows the production of wood pulp in Quebec by months

in 1949 and 1950. It will be noted that monthly production was lower in 1950 than in 1949 during the first quarter of the year but beginning in May, 1950 production increased over the same months in 1949.

Table 8

Production of Wood Pulp in Quebec
by Months, 1949 and 1950

	<u>1949</u> tons	<u>1950</u> tons
January	300,030	292,529
February	292,855	281,025
March	324,273	320,670
April	311,969	304,046
May	312,507	334,875
June	311,858	323,610
July	291,855	323,978
August	310,392	342,593
September	288,684	319,447
October	321,412	341,841
November	308,915	343,880
December	<u>312,160</u>	<u>346,692</u>
Total	<u>3,686,910</u>	<u>3,875,186</u>

Source: Ministère des Terres et Forêts,
Province de Québec, Statistiques
Forestières.

It will be recalled from the evidence referred to earlier in this section, that because of reduced pulpwood purchases and production in the period preceding the outbreak of the Korean War, supplies of pulpwood immediately available to the pulp and paper mills were at a relatively low level. The upsurge in wood pulp production in the second quarter of 1950 created a situation of tight supply of pulpwood for some mills and led to the movement of what was referred to as "hot delivery wood" or "hot wood deliveries". This term was defined by Mr. R. M. Fowler, President, Canadian Pulp and Paper Association in the following way:

"A. . . . Hot wood deliveries mean that instead of waiting for the wood to come down the streams in the ordinary way of delivery to the mill, they would put more of it on the railway cars and more of it into trucks and get it to the mill for immediate use. And this was called, as I understand it, hot wood delivery -- a hot wood delivery program."

(Hearing, p. 439)

The changed situation in regard to pulpwood requirements meant not only that there was an immediate need for larger supplies, but that there would be a substantially heavier demand for the 1950-51 season. The situation was discussed at a meeting of representatives of pulp and paper mills in Montreal on July 26, 1950. From the available documents dealing with this meeting and one held for the Ottawa Valley district on August 2, 1950, it appears that there were differences of view at that time about the extent to which adequate deliveries of pulpwood would be forthcoming and the amount by which prices should be increased to ensure the larger production required.

The following excerpts are taken from a report of the meeting of July 26 prepared by Mr. C. R. Harris (St. Anne) under date of July 28, 1950:

"RE: PURCHASE WOOD - MEETING JULY 26TH -
MONTREAL

Those present:

MESSRS:	McColm	- Donnacona	Patterson[sic]	Eddy
	Salkeld	- C.I.P.	Cheeseman	- Anglo
	McLaren	- Bathurst	Clark	- Howard Smith
	Paquet	- Howard Smith	Ward	- Consolidated
	Ruthman	- Anglo	Robertson	- Gaspesia
	Corrigan	- Spruce Falls	Wetmore	- St. Lawrence Co.
	Earley	- Brompton	Roberts	- Richmond Paper
	Goulet	- C.I.P.	Harris	- Ste. Anne

. . .

Mr. Paquet then asked the group their respective opinions regarding conditions and their individual thoughts regarding prices to be paid in the coming year. He started by asking the writer for his opinion. The writer cited the information in brief, which is given to you in our letter regarding our meeting with Mr. Pepler, suggesting that all Companies, before arranging for purchase wood, should consider production of hot delivery wood from their own properties, thereby eliminating the unnecessary competition for wood quantities. Some discussion took place regarding this sketchy information, and we feel that it had some levelling effect. Mr. Patterson, however, brought out the counter-objection that perhaps working plans of certain Companies did not allow for the delivery of hot wood from their own properties. The discussion then turned to an

estimate of the quantity of wood which could be produced from purchase sources, and the following questions came out as a result towards the solution.

..."

Mr. Harris then reported on the comments made by various representatives as to the extent contracts already made might be expected to be fulfilled, and the quantities of pulpwood to be purchased in 1950-51 compared with 1949-50.

After reporting discussion on prices in various districts for different types of pulpwood, Mr. Harris expressed the following conclusion:

"..."

We feel that the information divulged at this meeting had some levelling effect in a heretofore jittery atmosphere, however, we feel that the price of rough pulpwood will be \$13.50 f.o.b. for the year 1950-51 and that this price will be paid or will be promised for wood which is needed in order to fill the requirements up until June 1st, 1951.

The declaration of this price, which we feel sure will be made by someone, will have a retarding effect on deliveries of wood presently contracted for and will create a lot of pleas from shippers and brokers for consideration for wood being delivered.

It will be necessary for us to decide quickly regarding this condition."

(AQC 150-3, 4621-4)

Before attending the meeting on July 26, Mr. Harris had a discussion with Mr. Pepler, Manager, Woodlands Section, C.P.P.A., during which he apparently secured some general information on pulpwood supplies. In an inter-office letter dated July 28, 1950, Mr. Harris wrote, in part, as follows:

"..."

Before attending the meeting called by Mr. Paquet of Howard Smith at the Queens Hotel, the writer went to see Mr. Pepler. Mr. Pepler stated that he had knowledge of rough wood being paid at \$13.50 f.o.b. cars. He also stated that the total purchase wood required for the year

1950-51 would be over 2,000,000 cords as compared to about 1,500,000 purchased in 1949-50.

. . ."

The letter then refers to the decline of production of pulpwood from private lands and goes on:

" . . .

The figures mentioned above show that wood taken from small limits gradually declined in the last three years. This was to be expected since in the purchase field it is the most expensive wood. It therefore developed, that most of the purchase wood came from farmer's lots. This latter source was not producing to its capacity with regard to labour available, for the simple reason that we all refused to buy any more production which also became a diminishing factor due to low prices paid.

There seems to be a change in the last three months, and it is reported that because of the flurry upwards in price for peeled wood and in some cases spot purchases of rough wood, that the farmers are stimulated to produce more wood.

We now foresee three factors from which develop purchase wood sources:

- 1) The encouraged outlook of the farmers.
- 2) The augmentation of wood from farm woodlot sources.
- 3) The revival of production from small limits.

Keeping these conditions in mind, we consider that the trend of purchase wood prices should have already met the maximum in order to produce the maximum from all sources, but if we do not all realize these conditions, competitive prices will develop high cost wood in a never ending scale, wherefore the amount of wood to be produced will not be any greater than we have produced before from the same sources, in fact, it may be a little less. We make this latter statement since we know that the sources of standing timber will diminish rapidly on farmer's lots. . . ."

(AQC 155, 4626)

Mr. T. A. Earley (St. Lawrence) also prepared a report of the meeting of July 26 which contained the following:

" . . .

In summing up the quantities to be purchased on the south shore which includes, as already mentioned, the Eastern Townships and from Quebec into part of New Brunswick, last year the different companies purchased 845,000 cords and this coming year 1950-51 the purchases will amount to 1,087,000 cords. In addition to the amounts to be purchased by the different companies represented at the meeting, it is figured that the Brown Corporation and Fraser Companies and MacLaren [sic] Paper Company will also purchase between them approximately 300,000 cords. Also in addition to this amount of wood, there are different American mills buying in the district and it is very difficult to estimate the quantities of wood they will take out during the present season. However, I will now go out on a limb and make an estimate that the American mills will take out of the district approximately 150,000 cords.

During the course of the meeting, the problem of price to be paid for wood during the forthcoming season was discussed and different parties at the meeting thought that \$1.00 per cord more than last year's price should be paid - all prices based on an F.O.B. car basis which would make the price to brokers on car \$12.50 per cord. However, the greater part of the companies represented at the meeting suggested that we pay \$2.00 per cord more than last year's price which would make the F.O.B. car price to brokers for rough wood, \$13.50 per cord. It was decided that no price would be set until this same group met again probably around the 7th of September when definite action as to price would be taken. It was pointed out at the meeting that whatever price the meeting decided upon should be followed 100% and that in no case was a higher price to be paid to any broker than the price decided upon at the meeting. Each company's representative seemed to agree with this and it is to be hoped that they will stick to their promises.

. . ."

(API 109A-11, 2553-5)

A report of the meeting of August 2, 1950, already mentioned, was prepared by Mr. R. S. Botham (Ontario Paper) under date of August 8, 1950 and reads as follows:

"Together with representatives of other Companies I attended a meeting in the E. B. Eddy Company's office on August 2nd to discuss matters pertaining to production, and purchase of rough pulpwood for 1950-51 season in Zone 1, Ontario, including the Angliers line in Quebec. The Companies were represented by the following:

J. W. Patterson [sic]	E. B. Eddy
L. M. Roulcliffe [sic]	"
W. B. Salkeld	C.I.P.
J. W. Sutherland	"
H. Merlean	"
J. Williamson	"
H. Daubney	Gair
D. Clark	Howard Smith
L. L. Handford	K.V.P.
R. Cavan	Armstrong Forest Products
W. Lathrop [sic]	McLarens [sic]
R. S. Botham	Ontario Paper Co.

Gair, C.I.P., K.V.P., and Eddy's are the chief buyers of rough wood in this area and they are out to purchase approximately 45,000 cords. This is roughly the cordage produced during the season 1949-50.

The price last year was \$10.50 per cord f.o.b. cars to the producer. After some considerable discussion it was agreed to increase this by 50 cents per cord. Therefore, the price to the producer for the 1950-51 season effective September 1st, is \$11.00 per cord, f.o.b. cars. To this must be added Broker's commission of \$1.00 to \$1.50 per cord, depending on the brokers classification. This price will prevail in all of Zone 1, also the Angliers line Gatineau and Mont Laurier.

A meeting was held in Montreal on July 26th to discuss prices for rough wood on the South Shore, Eastern Townships and Abitibi. The Ontario Paper Company were not represented. From the information I was able to secure it was felt by some that an increase of \$1.50 per cord over last year's prices was advisable in order to encourage the production of the required rough wood. This would mean a price of \$13.50 to the Broker, f.o.b. cars. Apparently those present were not in complete agreement with this recommendation as it was decided to defer a decision on the matter until the middle of September. The Companies are out to buy a Million cords on the South Shore and Eastern township this coming season as compared with \$845,000 [sic] cords produced last season. The feeling

at the Ottawa meeting was that this increase was not called for and that possibly as a result of our decision to increase the price only 50 cents per cord it might carry some weight when the group meet again in Montreal in September.

Now *12.25

See letter Sept. 26"

(ASD 032, 2911)

The general effect of the documentary evidence relating to the late summer and early fall in 1950 is that there were considerable differences in the views of mill representatives as to the pressure on prices which would result from the efforts to secure greatly increased supplies of purchased wood at a time when export demand was also rising. A meeting was held on September 6 and 7, 1950, as anticipated in Mr. Botham's report on August 8, and prices of pulpwood were established at about the level which had been set at the beginning of the 1948-49 season. The prices established for the season 1948-49 had been set below the level which had been in effect at the beginning of the 1947-48 season (ASH 14C-6, 5748-50).

The pulpwood production and supply situation in Eastern Canada was reviewed by Mr. W. A. E. Pepler, Manager, Woodlands Section, C.P.P.A. in a report dated September 28, 1950, which contained the following:

" . . .

As can be noted from the above tables, the planned limit cut for 1950-51 is 38% higher than last year's and 10% less than the peak limit cut of 1947-48. There were in the company camps as at September 10th some 34,000 men. This is 65% higher than the number at the same date last year and practically the same number as at the same date in the peak year of 1947-48. The pattern of the number of men in camps throughout the season is usually established by the middle of September so it is apparent that there will be enough men to make a cut even larger than that planned.

The planned purchases are 50% greater than last year's and 7% greater than the previous peak purchases of 1947-48. We have no statistics regarding the amount of market wood which will or can be made available but it is apparent that purchasing activities will equal or exceed those of 1947-48.

The following table gives a picture of the pulpwood supply available for 1950-51 consumption.

Total physical inventory May 31, 1950	6,900,000
Anticipated block pile and streams inventory May 31, 1951	1,600,000
Available from inventory	5,300,000
Anticipated deliveries from 1950-51 limit cut	570,000
" " " " " purchases	2,065,000
<hr/>	
Total	7,935,000
Estimated requirements of reporting mills for capacity operation	8,609,778
<hr/>	
Shortage	674,778

This shortage indicated by past performance may be made up by -

- (1) Reduction of block pile and streams inventories
May 31, 1951 - (300,000)
- (2) Increased deliveries from limit cut -
(150,000)
- (3) Increased deliveries from purchase -
(250,000)

All of these will require extra effort.

Assuming a continued capacity operation through 1951-52 there is indicated a continued tight supply situation because a 1950-51 operation in the pattern of the figures given above will reduce the amount available from inventory at the start of 1951-52."

(APF 37-8A, 2860-1)

A further meeting of mill representatives was held at Three Rivers on October 4, 1950, according to the following inter-office letter of Mr. L. L. Wetmore (St. Lawrence), dated October 18, 1950:

"On October 4th a meeting was held in Three-Rivers of the principal Pulpwood Purchasers, the following Companies being represented:

C.I.P., Howard Smith, St. Anne Power, Brompton,
Anglo, Donnacona and St. Lawrence.

It was agreed that the rates set earlier in the fall were too low and would not encourage production and the following rates were agreed to and we are to make a try out giving out contracts on this basis:

Abitibi F.O.B. cars -\$14.50 per cord

Lower St. Lawrence -\$15.50 per cord F.O.B. Cars
West of Mont Joli \$16.75 per cord F.O.B.

 Schooners
Lower St. Lawrence -\$15.00 per cord F.O.B. Cars
East of Mont Joli \$16.25 per cord F.O.B.
 Schooners"

(API 100, 2564)

For the remainder of the 1950-51 season and during the first part of the 1951-52 season there was what some witnesses described as a "scramble" for wood on the part of various buyers and prices continued to advance. The situation at the beginning of the period was described as follows in an internal memorandum of Consolidated, dated October 15, 1950:

" . . .

PURCHASED WOOD.

Faure gave a brief outline of conditions now prevailing in the purchased wood market. Presently there is a considerable demand for wood, which will probably exceed production by at least thirty percent. Some companies programme provides for the purchase, on the open market, of as much as two-thirds of their total wood requirements. To meet this serious situation representatives of various interested companies have tried to work out a uniform policy on prices, and to reach some kind of understanding on the allocation of available pulpwood supplies, in order that everyone interested might get its share of available wood. Ward attended a number of meeting with representatives of other companies, but no definite and binding agreement was reached on the above-mentioned points.

It is now evident that competition is going on unrestricted, and that the situation has become uncontrollable. It is a fact that some companies need wood badly and although they were willing to discuss the actual pulpwood situation, they have not committed themselves in regard to any controls or restrictions, but instead have made it clear that they needed wood and were out to get it.

Since last year the price of purchased wood was increased \$1.00 a cord. Prospective suppliers now ask as much as \$4.00 a cord more than last year, and though some companies may try to convey the impression they are paying the same as others, they have recourse to all kinds of means to raise their prices, such as paying for culls, paying on the supplier's measurements, etc.

. . ."

(APH 349-71, 6174-96)

The situation with respect to pulpwood at this time formed part of a general increase in prices which accompanied the early stages of the Korean War. The scramble for essential commodities was a world-wide phenomenon and in various countries, including Canada and the United States, the possibility of direct governmental controls became an active issue.

3. Possibility of Direct Governmental Controls

In his evidence before the Commission, Mr. R. M. Fowler, President, Canadian Pulp and Paper Association, reviewed the industrial conditions during the first part of the Korean War, as indicated in minutes of C.P.P.A. and in notes which he had kept, as well as in other material relating to the period. He stressed the requests which had been made on behalf of the Government for the co-operation of industry in assisting in the equitable distribution of supplies and in restraining the increase in prices so that, if possible, the imposition of direct controls could be avoided. Mr. Fowler described, as follows, the advice which he gave to the pulp and paper industry as a result of his discussions with governmental authorities:

"When I went to Ottawa and was told what the situation was, I tried to alert the members of the industry that controls of all parts of their activities were impending, and that they should first of all get ready to participate in the controls, as was done in the preceding war, and was the intention

again this time. They would be called upon to serve, and they had better get ready some kind of skeleton outline that would look after the needs.

I also emphasized to them on every occasion I could the dangers of inflation, which were being pounded into me by the authorities in Ottawa, and told the industry of the need to keep their costs and their prices down, if they were to avoid or had any chance of avoiding the imposition of detailed government control -- which this industry, as most industries in Canada, regarded as a bad thing. They did not want controls."

(Hearing, p. 450)

Mr. Fowler attended a meeting of the Woodlands Section, C.P.P.A., on January 25, 1951. The minutes record his remarks on that occasion as follows:

" . . .

Mr. Fowler pointed out the imminent possibility of government controls affecting prices, distribution, and manpower being brought in. He advised the members of Council that when that time came the Industry must be prepared to work with the government in practical control measures that will not retard production, and should study now what measure and manner of control would be practical.

After considerable discussion the Manager was empowered to appoint a committee to study the question.

. . ."

(BKC 1317A-21, 7867-71)

On April 18, 1951, Mr. R. M. Fowler was appointed Director of the Pulp and Paper Division, Department of Defence Production and on the same day pulp and newsprint were designated essential materials under the Defence Production Act. Two days later Mr. Fowler, in his capacity as Director of the Pulp and Paper Division, sent a letter to every manufacturer of newsprint and pulp in Canada, which concluded as follows:

" . . .

'The designation as "essential materials" does not in itself establish government control over pulps and newsprint. It does, however, create the

machinery for exercising control over the production, distribution and price of these commodities under the powers established in the Department of Defence Production Act, should such control become necessary.

The declared policy of the government is to avoid over-all types of control for as long and to as great an extent as possible; and it hopes with the co-operation of industry to be able to keep government controls to the minimum necessary to deal with Canada's international responsibilities and to combat inflation.

In view of the declaration of pulps and newsprint as essential commodities and the desirability of avoiding the imposition of detailed controls, you are now requested not to make any changes in your prices of these commodities to any markets, without first discussing such changes and the reasons therefor with the department."

(Hearing, pp. 459-60)

In describing his relations with the pulp and paper industry during the time when he was Director of the Pulp and Paper Division, Department of Defence Production, Mr. Fowler said:

"A. . . . I was starting to tell you that I did not want you to get the impression, or the Commission to get the impression, that I told these people to go out and make agreements for the price of pulpwood. And I did not do it for a very special reason; and that is, apart from everything else -- that I do not usually ask people to do something that I know is impossible. I tried for three years to fix the price of pulpwood.

BY THE CHAIRMAN:

Q. You are now referring to the second world war period?

A. Yes, exactly -- and with the full powers of the government behind me. And we had a notable failure. All through that period, with full controls over labour and everything else, you could not fix prices of pulpwood, and they kept creeping up under

the kind of situation that existed. I know, and everybody in the industry know that you could not agree on the price of pulpwood. It is not possible to do so, because of the variation in conditions that exist -- variations in quality and the kind of people in the market, and the fluctuating qualities, and everything else that goes on.

And I was not asking people to go out and fix the price of pulpwood, apart from everything else -- apart from the statements you are giving -- because I knew it could not be done.

And all I did want was, in an atmosphere of great shortage, very serious new demands being made on us, and a great danger of panic and excitement and threshing around in the market, to tell people to use all the influence they possibly could to stabilize the situation, a situation which could have gone into a very bad inflationary spin; and to use their own efforts -- I certainly expected they would meet together. I would have been surprised if they had not met together -- but mainly to concentrate on the provision of supplies, and to try to keep the inflationary pressures down.

That is all I have to say."

(Hearing, pp. 488-90)

The committee on pulpwood, referred to in the minutes of the Woodlands Section, C.P.P.A., quoted above, was set up by Mr. Pepler who, in his evidence, described its functions with respect to price as follows:

- "A. If any suggestion, such suggestion or thought was introduced into the discussions, it would be that that pulpwood procurement committee that I had named to serve this purpose would become the Industrial Advisory Committee as soon as control was set up at Ottawa, and in that capacity they would make recommendations to Ottawa. But neither during the war nor during this kind of a period, would they themselves fix the price. It would be the administrator at Ottawa that would fix the price. He may well fix it on the recommendation of such a committee, on asking their advice and in discussion, but that would be the only way that such a suggestion would enter into the discussions of that committee."

(Evidence, pp. 1258-9)

The Pulpwood Procurement Committee was not called upon to any extent but there is a reference to its activities in a circular of the Woodlands Section, dated July 20, 1951. The first part of the circular sets out figures for past and projected pulpwood purchases and then goes on:

" . . .

All the above was reported to the Pulpwood Procurement Committee of the Section who recommended that the requirements for each mill be reviewed, as the sum of the requirements now reported indicates an abnormal demand for both wood and labour and a generous inventory at the end of the wood year.

The Committee had in mind three things, the drain on national and individual resources, the danger of a too large inventory of high cost wood, and the price spiral of the last buying season when the demand exceeded the supply by a much smaller amount than indicated by the present program.

They felt there was little guarantee or even possibility of being able to fill the requirements of purchase wood even at greatly increased prices, and that excessive demand in that field would affect costs on limit operations.

They also recommended that the C.P.P.A. Executive Board be advised of the situation and a copy of this circular is going forward to the members of the Board in this mail."

(ATB 90-2, 3772-4)

The Pulpwood Procurement Committee was dissolved in June, 1952 for reasons set out as follows in a circular of the Woodlands Section, dated June 6, 1952:

" . . .

In the light of the actual conditions which have existed for the past twelve months, and the indicated trend for the next twelve, the purposes for which your Committee was set up did not develop as expected. Shortages of labour, equipment, and wood, did not develop to a point where special action on the part of the industry was required to ensure continuance of supply.

Under these conditions, the Executive Council of the Woodlands Section feels that your Committee should be dissolved until such time as similar conditions arise again.

. . ."

(BKC 1004-5, 7845-6)

A committee organized about the same time which appears to have been concerned more directly with the price of pulpwood was usually referred to as the "Abitibi District Pulpwood Committee". The formation of this committee followed meetings among senior executives of a number of pulp and paper companies interested in buying pulpwood in the Abitibi district. A report of one such meeting found in the files of Kimberly-Clark Corporation of Canada Limited, an associate company of Spruce Falls, contains the following:

"Memorandum re Meeting in Consolidated Board Room, Wednesday morning, January 31st 1951, to discuss the pulpwood purchase situation Abitibi District.

Present:	Messrs. G. Hobart,	Consolidated
	S.L. DeCarteret, [sic]	International Paper
		Company
	Ned Smith,	Howard Smith
	Gordon Brown,	Brown Corporation
	Percy Fox,	St. Lawrence
	W.A.E. Pepler,	Canadian Pulp & Paper
		Association
	J.E. Ward,	Consolidated
	W. Soles	Anglo (left before
		conclusions were
		reached)

Conclusions Reached

Current top level prices f.o.b. cars shipping point, including local dealers commission (but not the brokers commission), would seem to be \$17.50 per cord. Prices are to be frozen at this level but an attempt will be made to hold prices at \$17.00 by those companies who have not committed themselves to a higher figure than \$17.00. Opinions were expressed that this could not be done and, if this proves to be correct, those companies holding at the \$17.00 level may go up to \$17.50.

. . ."

(ASI 011, 3879)

Reference to the arrangement among the companies was made in an inter-office letter of St. Lawrence, dated February 2, 1951, as follows:

"The various companies buying pulpwood in the Abitibi District have agreed that they would immediately inform their pulpwood brokers and/or suppliers in that district that they would accept no wood in excess of the quantities set out in their contracts.

Accordingly, will you therefore immediately send a letter to Lagueux, who is our only source of supply in Abitibi on new 1950/51 contracts, advising that we will accept no wood in excess of the quantities set out in his contracts.

The agreement furthermore stipulates that we would in no case pay anything in excess of \$17.50 plus the dealer's or broker's commission for settlers' wood, f.o.b. cars. This agreement is to run for approximately two weeks and at that time another meeting will be held to see whether this agreement has had any effect.

. . ."

(API 93, 2580)

The minutes of a meeting held on February 16, 1951 to discuss Abitibi pulpwood purchases from dealers and which record the attendance of representatives of Howard Smith, C.I.P., Brown and Consolidated contain the following:

- "1. It was agreed unanimously that the group should continue cooperating to stabilize pulpwood market conditions.
2. That the first two weeks experience indicates that the mills have held the line on bids and that producers are holding back for higher prices.
3. To co-ordinate present efforts it is felt desirable to register all contracts with brokers and dealers, and, if possible, producers contracts, indicating quantity, location and price. This information to be compiled by Mr. Pepler, who will meet with Company representatives as a committee to study the information disclosed by the contracts.

. . ."

(ASI 0012, 3880)

A further meeting of senior officials was held on May 14, 1951. Mr. G. G. Cosens, who attended as the representative of Spruce Falls, prepared a report of the meeting which contained the following:

"At the request of Mr. Sage, I attended a meeting in Montreal May 14th, of the Presidents of nine companies, called by G. M. Hobart, President of Consolidated Paper Corporation. Actually, the company representatives were Vice-Presidents or Assistants - Mr. Hobart was the only President there. The purpose of the meeting was to stabilize the price of purchased wood in the Quebec Abitibi District.

The companies represented were:

Abitibi Power & Paper Co. Ltd.
Anglo-Canadian Pulp & Paper Mills Ltd.
Brown Corporation,
Canadian International Paper Company
Consolidated Paper Corporation Ltd.
Eddy Paper Corporation,
Howard Smith Paper Mills Ltd.
Spruce Falls Power & Paper Co. Ltd.
St. Lawrence Paper Mills Co. Ltd.

The meeting was polled by Mr. Hobart as to the individual reactions as companies, to the attempt made late last spring to stabilize the price situation in the Quebec Abitibi. The comments were entirely favourable to the policy, with exception of Keith Robinson - Howard Smith, who proposed a very rigid control from the stump to the cars. He was not supported in his contention. In the discussion, the statement was made that Howard Smith were in the area for 25,000 cords.

Faure - Consolidated, Davis - Abitibi, and Brown - Brown Corp. mentioned the chaotic conditions in other purchase wood areas of Quebec. The North Shore was mentioned repeatedly, as it would appear that all companies listed are purchasing wood on the North Shore with the exception of Spruce Falls. The prevailing price at present for this region for 'indifferent' pulpwood, is \$26.00 per cord on board schooners.

Faure - Consolidated, acknowledged tricks, schemes and various subterfuges in the past, in order to obtain wood. Mr. Hobart stated very definitely that the purpose

was to lay down a principle of straight dealing positive company policy. Eddy Paper Corporation acknowledged recent purchase of wood at one dollar over the \$17.50 ceiling and announced their future acceptance of the principle with many qualifying statements.

. . ."

(ASI 0026-9, 3888-91)

Referring to the same meeting in a letter of June 1, 1951, Mr. F. Faure (Consolidated) wrote to Mr. W. E. Soles (Anglo):

". . .

It was agreed it would be advisable for all companies to stop buying for the next two months in order that wood already purchased could be delivered before bids or prices were made for next season's production. It was hoped this action would stabilize conditions and establish next year's market on a sound basis.

. . ."

(ARC 101-2, 2680-1)

The register of contracts in the Abitibi district, which was proposed at the meeting of February 16, 1951, was not set up in the Woodlands Section, C.P.P.A. but was made a function related to the Abitibi District Committee. Mr. L. H. Paquet (Howard Smith) gave the following evidence in regard to the register:

"A. This so-called registrar was actually appointed, and I know that as agreed, Howard Smith sent either copies or details of the contracts signed for the purchase of wood in the Abitibi district. I do not remember how long this registrar functioned, but I know that it was not very long. I would say it was less than a year and that the performance of that registrar in that particular district was so unsatisfactory that the pattern was not carried elsewhere.

Q. What was the name of the registrar?

A. Louis Philippe de Blois.

Q. What, then, was the purpose of the arrangements?

- A. The basic purpose of the arrangement was so that we would have, in one central spot, or in one central place, information regarding the contracts signed in order to judge the collective volume signed for and aimed at and that various people felt the district could produce. In this respect, Mr. MacDonald, I might add or reiterate or emphasize what I said last Friday, that for a paper mill, getting the wood that it has under contract is definitely more important than the price that it pays for it."

(Evidence, pp. 489-90)

The actual period during which the registration of contracts in the Abitibi district was maintained appears to have been from October 1951 to February 1952.

Meetings of representatives of pulp and paper companies in connection with purchases in the Abitibi district continued to be held during 1951 and the efforts, already indicated, to have companies conduct their purchases in relation to an established price level were also continued.

In the summer of 1951 consideration was given to the policy which should be followed for the wood year 1951-52. A meeting of the Abitibi District Pulpwood Committee was held on July 17, 1951 and Mr. G. M. Hobart (Consolidated) circulated a report of the meeting to a number of companies in which he wrote:

" . . .

' . . .

5. The exchange of information had been beneficial in facilitating maximum wood production.
6. It was recommended that the buying season be opened 5 days after a decision was taken but in any event not later than August 1st.
7. It was recommended that at the start of the season, commitments be made up to 20% of the requirements only.
8. Estimates of the price that would be paid were \$17.50 and \$18.00 f.o.b. car to dealer. The top price at the close of the last buying season was \$18.00.

Reports of the meeting will be made by each woods manager to his executive.'

Regarding items Nos. 7 and 8, it is pertinent for you to know that the purchase price of pulpwood in the Abitibi district for the season 1950-51 ended up considerably lower than in any other district.

An attempted rollback might invite other Companies to invade that district and increase competition.

To avoid inflationary influences and a boom market, it was recommended by this committee that commitments be limited to 20% of the total requirements from that district.

Would you please advise as soon as possible, by 'phone, your views on items 6, 7 and 8."

(ARC 197C-8, 1413-4)

A report of the meeting of July 17, 1951, prepared by Mr. G. W. Phipps (Spruce Falls) included the following:

" . . .

A discussion of the plans for 1951-52 showed:

1. That, except for peeled wood, the companies had not as yet made any new contracts.
2. That a far greater cordage was expected than could possibly be produced. This formed the main topic of concern at the afternoon meeting.

Recommendations for the President's Committee included:

1. August 1st as date to start buying. (a) As peeling season will be over; (b) Better general overall picture available then and (c) to give President's Committee a chance to meet.
2. First contracts to be for only 20% of requirements - In an effort to control price.
3. Ceiling price to dealers to be \$18.00 per cord f.o.b. cars for rough spruce pulpwood. - Anglo, Howard Smith and St. Lawrence voted for \$17.50.

It was clearly pointed out that as far as Spruce Falls was concerned the above recommendations would be supported but that the right was reserved to withdraw, after informing the Committee, if it were apparent that others were not complying.

. . . "

(ASI 0046-8, 3919-21)

Results of the arrangements in regard to the Abitibi district were reviewed at a meeting held on October 31, 1951. A report of Mr. G. W. Phipps (Spruce Falls) contains the following:

"ABITIBI QUEBEC MEETING

held in the offices of Consolidated Paper Corp.
Wednesday, October 31, 1951

Present: George Hobart	)	Consolidated
Francois Faure	)	Paper Corp.
Vern Johnson	)	International
Fred Harrison	)	Paper
Bob Botham		Ontario Paper Co.
		St. Lawrence.
E. K. Robinson		Howard Smith
J. Merrill		Anglo-Canadian Pulp and Paper Mills Limited
J. Patterson [sic]		Eddy's
W. Pepler		C.P.P.A.
G. W. Phipps		Spruce Falls Power & Paper.

Chairman - G. Hobart.

Introduced meeting - saying infraction in Abitibi.

Faure - complaint from Simak unable purchase wood as Byrne and others were paying \$19.00 car to Dealers, instead of \$18.00 as agreed. Had send [sic] Brown up and had Bill of Lading covering wood to Kap. at that price.

I reviewed my trip to Abitibi stating improved conditions and recognized that a very small cordage was 'spot' bought at slightly higher prices because of no need for financing on part of companies but that prices were being reasonably well maintained. I paid due credit to the work of Mr. Hobart and the Abitibi Committee and stated we were behind any stabilizing influence or practice.

I stated that I found that while Byrne was guilty of edging up prices he was not alone in this practice: Notably Simak and Lageux. [sic]

. . .

Meeting agreed:

Brokers commission should not exceed \$1.50.

No more spot buying above \$18.00 on cars.

If cannot cancel Byrne agreement, Faure wants privilege of going \$19.75 including reloading or resigns.

Faure says Simaks Commission \$1.00.

Pepler 'More wood than we want' limit production, men okay.

Hobart proposed a standard agreement.

Johnson thinks reloading should not come into price. (agreed by others).

Faure stated did not need Abitibi wood but Hobart said after meeting that they did."

(ASI 0002A-3B, 3926-7)

A report of this meeting was also prepared by Mr. R. S. Botham (Ontario Paper). The following paragraphs appear in Mr. Botham's report:

". . .

Earlier in the year representatives of the above companies met and agreed that the price to the dealer would be \$18.00 plus broker's commission. There was evidence that this price was not being adhered to in all cases and a meeting was called to investigate the matter.

Spruce Falls and their broker, F. Byrne, were the culprits and Phipps had to do a lot of explaining. Spruce Falls had a contract with Byrne for 10,000 cords of rough wood at \$19.75 per cord which according to Phipps included the rehandling of down piled wood if cars were not available necessitating down piling. The contract did not stipulate the price of \$18.00 which was agreed upon to pay the dealer. Byrne, according to evidence submitted was paying as high as \$18.50 to the dealer. This soon got circulated around and dealers expected \$18.50 and this resulted in very little wood being available at the \$18.00 price. Phipps acknowledged the oversight in not specifying the dealers price in his agreement with Byrne and stated he would go into this point with Byrne the first opportunity he had and have the agreement rectified if possible.

On the 5th Mr. J. E. Ward of the Consolidated phoned me from Montreal giving me information to the effect that Phipps had phoned him that he had succeeded in persuading Byrne to hew to the line and only pay the \$18.00 price to the dealer.

. . ."

(ASD 011-2, 2933-4)

Although by November 1951 there was greater assurance that adequate supplies of pulpwood would be available, there were reports that prices established at earlier meetings might be exceeded by some companies. Mill representatives met in Montreal on November 27, 1951 to discuss the situation. Mr. R. S. Botham (Ontario Paper) prepared a report of the meeting which included the following:

"A meeting composed of representatives of various companies interested in purchase pulpwood for the Abitibi district and the South Shore, Quebec, was held in the office of the Howard Smith Paper Mills, Montreal, on November 27th.

The Companies were represented by the following:

Anglo	- J. H. Merrill
"	- F. Cheesman [sic]
Diamond Match	- L. Ramsey [sic]
C.I.P.	- Fred Salkeld
Abitibi	- C. Harris
E. B. Eddy	- Lorne Routcliffe [sic]

Spruce Falls	-	G. Couseus [sic]
" "	-	G. McCrea [sic]
St. Lawrence	-	L. Whitmore [sic]
Gaspesia Sulp.	-	J. [sic] Robertson
Brompton	-	Ted Earley
Howard Smith	-	L. Paquet
Brown Corp.	-	J. H. [sic] McNally
Consolidated	-	E. Ward
Ontario Paper	-	R. S. Botham

The meeting was suggested by Mr. Hobart to get the representatives together for the purpose of working in unity to keep the price of rough wood at the same level as was originally agreed upon. Evidence was submitted by Consolidated that Brokers were offering a higher roadside price than that agreed upon, which would automatically reflect an increase in costs f.o.b. cars. However, this departure from agreed prices was being done by Brokers not buying for the represented companies and it was decided that the quantity involved, compared with the overall requirements, was small and the final decision reached by the represented companies that we should not let such buying disturb our original agreement. It was also felt that wood was being purchased and held by some brokers in the hope that prices might be increased later on in the season. The price originally agreed upon was \$18.00 per cord to the dealer.

Couseus suggested forming a central pool whereby ten percent of the wood purchased would be shipped to any Company not obtaining their requirements. This was discussed at length and everyone voiced agreement to the suggestion. It was finally agreed by all the Companies represented that they were prepared to pool up to ten percent of their contracted cordage of purchase wood providing their suppliers furnished over 80 percent of the contracted amount. . . .

. . . "

(ASD 002-4, 2939-41)

Mr. L. M. Routliffe (E. B. Eddy) prepared a brief note on the meeting, which included the following:

" . . .

. . . After 5 hour discussion prices are to remain at \$19.25 Abitibi, \$20.00 other areas - 10% of wood in

Abitibi to be peeled if necessary and go to mills which are short - anybody requiring assistance apply L. Paquet Feb. 15 - Mar. 1/52. Price - last agreed price plus \$2.00.

. . ."

(ARG 184-5, 1446-7)

A report was also prepared by Mr. G. G. Cosens, who represented Spruce Falls at the meeting of November 27. In his report Mr. Cosens wrote, in part:

" . . .

The reason for the meeting was a final attempt to stabilize the price of wood in the area. The situation was precipitated by Francois Faure, Consolidated Paper Corporation, notifying all companies that the situation was out of hand and Consolidated's resultant withdrawal from any former commitments.

George Hobart, President of Consolidated Paper Corporation agreed to another meeting but without any enthusiasm due to lack of good faith by other companies, proof of which was furnished him by Francois Faure.

It was evident immediately in the meeting that practically everyone present was fearful that:

1. A price rise would go up at least three dollars in line with other areas.
2. A price rise would not increase wood production of the region.
3. A suitable plan of action acceptable to everyone might be difficult to resolve.

. . .

From casual conversation around the table, the following was evident:

1. Anglo Canadian, Julian Merrill - adequate wood and not at present being stampeded into higher prices to get more.

2. St. Lawrence Paper Corp., Lou Whetmore [sic] - afraid of over-orders of high priced wood and completely withdrawn from Abitibi.
3. McNally, Brown Corporation - adequate wood and fear of inventory. Mentioned that Brown Company, Berlin N. H. too heavily inventoried particularly to hardwood.
4. Adequate men in the woods operations and high production coupled with large mill inventories has made the whole group much more ready to co-operate and bury old differences."

(ASF 138C-40, A4070-2)

According to Exhibit H-33, which is a chart of prices paid to dealers, f.o.b. cars, by E. Lagueux & Fils Limitée, broker, the price of rough spruce remained at or near the maximum from April 1951 to November 1951. A decline of \$1.00 per cord is shown for December 1951 and a further decline of \$2.00 per cord in February 1952. This change is reflected in the following extract from a letter of February 23, 1952 written by Mr. C. Little of the J. B. Kemp Company, broker:

" . . .

As you are probably aware all the pulp mills have more Unpeeled Spruce & Balsam this Season than they can possibly handle. Wood is being offered to them every day at lower than present price and it is necessary for them to refuse it. We find we are in excess of our contract which was quite a large one. Thursday of this week the writer went to Ottawa to discuss this matter with the Manager of the Woodlands Division of The E. B. Eddy Company and it was impossible for them to agree to accepting more than our contract which we might add, is unusual for The E. B. Eddy Company. We have always found them most co-operative but they are forced to hold us to our contract. For your information during the past month we have been in touch with every mill using Spruce and not one of them are interested in purchasing even 1,000 cords from us. We think, from this information, you can see what is happening if you are not already aware of conditions.

. . ."

(APD 631-2, 12096-7)

Mr. R. M. Fowler said in evidence that his duties as Director of the Pulp and Paper Division, Department of Defence Production, came to an end in October 1952 (Hearing, p. 467).

4. General Comment on Korean War Period

A review of the evidence relating to meetings of representatives of pulp and paper companies to discuss and arrange prices during the period of tight pulpwood supplies in 1950 and 1951 when the Korean War was in progress does not establish that the general nature of the activities can be distinguished from the arrangements which preceded and followed that period. It is clear that the problems of securing pulpwood supplies were much more difficult in the two years 1950 and 1951 than they appear to have been at any other time between April 1947 and January 1955, the period covered by the inquiry. The discussions on prices, however, were of much the same character as during other times when an increase in prices was anticipated, and the arrangements made with respect to prices were likewise similar in character. It is evident that consideration was given during the early period of the Korean War to the possibility of making arrangements to secure the distribution of pulpwood on the basis of urgent need, but as was said in the circular of the Woodlands Section, C.P.P.A., giving notice of the dissolution of the Pulpwood Procurement Committee: "Shortages of labour, equipment, and wood, did not develop to a point where special action on the part of the industry was required to ensure continuance of supply" (BKC 1004-5, 7845-6).

There appeared to be an inference in representations made on behalf of the named pulp and paper companies that the activities with respect to prices of pulpwood during the period of the Korean War could be distinguished from other periods, because of possible relationship to the general policy of the government in seeking to lessen inflationary movements. There is no question that the government sought by measures short of direct price control to exert a restraining influence on the upward surge of prices which occurred at that time. The excerpts from Mr. Fowler's evidence given earlier in this chapter indicate the sustained efforts to assist government policy which were made in the pulp and paper industry. Mr. Fowler said that the request he made in his letter of April 20, 1951, quoted above, that no changes should be made in the prices of pulps and newsprint without prior discussion with the government department was regarded by him and by the industry as a form of price control. It is clear, however, and no attempt was made in evidence or argument to establish the opposite, that no authority was given, either directly or indirectly, to private groups to fix or control the price of pulpwood purchased from farmers or other suppliers.

It is necessary, in considering the cost of pulpwood supplies for the pulp and paper industry, to bear in mind that pulpwood purchased from farmers and settlers forms only a part of the total supply of pulpwood used by pulp and paper mills. It will be seen from Table 1 that in Eastern Canada purchased pulpwood usually constitutes less than one-third of the total supply of pulpwood. Purchased wood is derived both from farmers' woodlots and from small limits. From information furnished on behalf of the named companies, it appears that farmers wood forms about two-thirds of the supply of purchased wood. Relating this proportion to the data compiled by the Dominion Bureau of Statistics, it may be estimated that, on the whole, pulpwood purchased from farmers forms from 20 to 25 per cent of the total supply of pulpwood. As mentioned previously, however, the relative proportions of limit wood and purchased wood vary considerably among different companies and mills.

The sharp increase in the price of pulpwood during the latter part of 1950 and the first part of 1951 must be viewed against the background of the changes which had taken place since the removal of price ceilings in April 1947. In common with a number of other commodities, there was an advance in the price of pulpwood following the removal of controls but, according to Exhibit H-33 (the chart of prices paid by E. Lagueux & Fils Limitée), the advance in the price of the largest item, rough spruce, was less than 10 per cent. In contrast with most other commodities, however, the price of pulpwood declined sharply in 1948-49 and 1949-50 so that at the beginning of the Korean War the level of pulpwood prices was low compared with previous years.

The contrast between the price movements of pulpwood and those of most other commodities in the period between the removal of price controls and the outbreak of the Korean War is clearly shown in a series of charts (Exhibits H-56 to H-65) which had been prepared by Dr. J. R. Petrie, a consulting economist, and were explained during his appearance before the Commission.

Dr. Petrie had prepared the index numbers from which the charts were constructed on the basis 1948-49 = 100 as being the period most closely approximating the period 1949, which is now used by the Dominion Bureau of Statistics as the base year for some series of price indexes. However, as pulpwood prices were diverging from the general trend of prices in this period, a clearer picture is obtained by using the indexes compiled by Dr. Petrie, not only in the form in which they were presented but also by taking the year 1947-48 as a base. The following table presents the price indexes for some of the groups of commodities included in Exhibits H-56 to H-65 in the two ways mentioned.

Table 9

Comparison of Pulpwood Price Index and General Wholesale, Industrial Materials, Lumber and Timber, and Wood Pulp Price Indexes, 1947-48 to 1953-54.

Year	Pulpwood ⁽¹⁾ Price Index	General ⁽²⁾ Wholesale Price Index	Industrial ⁽³⁾ Materials Price Index	Lumber and ⁽⁴⁾ Timber Price Index	Wood Pulp ⁽⁵⁾ Price Index
1948-49 = 100					
1947-48	112.4	89.3	89.2	87.8	100.0
1948-49	100.0	100.0	100.0	100.0	100.0
1949-50	91.3	100.2	95.1	100.4	82.0
1950-51	137.4	114.1	122.2	128.0	98.2
1951-52	141.9	118.8	123.0	133.1	100.0
1952-53	113.9	111.6	106.0	127.0	97.0
1953-54	120.4	110.5	99.6	122.0	91.0
1947-48 = 100					
1947-48	100.0	100.0	100.0	100.0	100.0
1948-49	89.0	112.0	112.1	113.9	100.0
1949-50	81.2	112.2	106.6	114.4	82.0
1950-51	122.2	127.8	137.0	145.8	98.2
1951-52	126.3	133.0	138.0	151.6	100.0
1952-53	101.3	125.0	119.1	144.7	97.0
1953-54	107.1	123.7	111.7	139.0	91.0

Sources: (1) Exhibits H-59, H-61, H-63, H-64.

(2) Exhibit H-59.

(3) Exhibit H-61.

(4) Exhibit H-63.

(5) Exhibit H-64.

It will be seen from this table that while the price of pulpwood advanced during 1950-51 very sharply from the low point of 1949-50, the peak reached in relation to the level of prices in 1947-48 was lower than that shown for wholesale prices in general, for industrial materials, and considerably lower than the peak for lumber and timber.

Another circumstance which must be kept in mind in examining the price movements of pulpwood during the period of the Korean War is the decreased production of pulpwood in Eastern Canada during the previous years. It has already been mentioned that statistics

are not readily available to show production of pulpwood from year to year as distinct from the consumption of pulpwood in manufacturing operations. The Quebec Department of Lands and Forests publishes in an annual report monthly figures of pulpwood cut and purchased by pulp and paper manufacturers. From these monthly figures the total production of pulpwood in the Province of Quebec during the wood years 1947-48 to 1954-55 has been derived. The wood year is taken from June in one year to May in the next year. It is assumed that the provincial figures include pulpwood produced in Quebec and shipped outside the province. As an indication of activity in the pulp and paper industry, the production of wood pulp is included in the table.

Table 10

Production of Pulpwood and Wood Pulp
in the Province of Quebec by Wood Years,
1947-48 to 1954-55

<u>Year</u>	<u>Pulpwood Cut cords</u>	<u>Pulpwood Purchased cords</u>	<u>Total cords</u>	<u>Wood Pulp tons</u>
1947-48	4,775,494	2,207,478	6,982,972	3,790,485
1948-49	4,070,685	1,845,737	5,916,422	3,836,358
1949-50	2,888,218	1,387,106	4,275,324	3,678,421
1950-51	4,391,045	1,992,760	6,383,805	4,046,274
1951-52	5,049,701	2,761,545	7,811,246	4,241,992
1952-53	3,900,406	1,831,179	5,731,585	4,091,899
1953-54	3,613,228	2,150,958	5,764,186	4,185,782
1954-55	4,053,589	2,493,545	6,547,134	4,384,244

Source: Ministère des Terres et Forêts, Province de Quebec,
Statistiques Forestières.

According to these figures pulpwood production declined from 1947-48 in the two following years. The production in 1949-50 was almost 40 per cent lower than in 1947-48. In the years 1950-51 and 1951-52 production increased considerably and in the latter year was greater than in 1947-48. In view of the comments which appear

from time to time in the evidence that production of pulpwood may not respond in all circumstances to an increase in price, the very large increases in pulpwood purchases in 1950-51 and in 1951-52 are particularly significant.

The shifts in pulpwood production, as shown by the above figures, appear in much the same way in the figures for limit wood and purchased wood given in Table 7 in an earlier chapter of this report, except that figures for 1947-48 were not included in the Statement of Evidence. It will be evident from the figures given in Table 10 that there have been much wider fluctuations in the production of pulpwood than in the production of wood pulp. As has already been mentioned, there is a considerable time lag between the production of pulpwood from standing trees and the delivery of the wood to the mill in a form suitable for conversion into wood pulp. There appears to have been a general tendency during the years 1947 to 1955 for declines in the manufacture of wood pulp to be accompanied by much larger declines in the production of pulpwood and, on the other hand, for an increase in the production of wood pulp to be accompanied by a larger increase in the production of pulpwood with a considerable lag in the time in which the relative changes were completed.

The curtailment of pulpwood production during 1949-50 meant that any upturn in the demand for pulp and paper would find the mills with limited supplies of raw material. This had been mentioned at a meeting of the Woodlands Section Executive Council, C.P.P.A., held on December 13, 1949, when the manager had "pointed out that at current consumption rates the planned production reported to date would bring total wood inventories dangerously low (BKC 1300A-5C, 7923-8).

The outbreak of the Korean War in the early summer of 1950 was followed by an increased demand for the products of the pulp and paper industry, and the stepped-up programmes for the production of pulpwood, which have been indicated in the evidence already reviewed, became the more urgent because of the limited supplies which were being derived from the 1949-50 season. That such programmes would exert very strong pressure on the price level of pulpwood was an inevitable consequence.

The review of the evidence relating to arrangements made among the various companies during the period of the Korean War indicates that the most extensive arrangements were made with respect to the Abitibi district when, for a period of some months, an attempt was made to keep a register of all contracts for the purchase of pulpwood. In considering to what extent the arrangements may have influenced the level of pulpwood prices in this district, it would appear that some weight should be given to the conclusion expressed by Mr. G. M. Hobart, President of Consolidated. In a report dated July 19, 1951,

which preceded the actual opening of the register, Mr. Hobart wrote:

". . .

. . . it is pertinent for you to know that the purchase price of pulpwood in the Abitibi District for the season 1950-51 ended up considerably lower than in any other district.

. . ."

(ARG 197C-8, 1413-4)

The evidence indicates that in some areas the amount of export buying during the period of the Korean War exerted a substantial influence on the level of prices of pulpwood and that, generally, the activities of buyers for domestic mills in attempting to secure as large supplies of pulpwood as possible led to price increases. At the same time, as the above quotation suggests, the arrangements among the pulp and paper companies with respect to prices of pulpwood cannot have been without influence even in the boom period.

CHAPTER V

APPRAISAL OF THE EFFECTS OF THE ARRANGEMENTS AND PRACTICES

1. Position of Named Companies as Buyers of Pulpwood

In the submissions made to the Commission on behalf of the named companies considerable statistical material was included to show the relative position of the purchases of pulpwood by such companies in terms of the overall supply. Evidence on the statistics by Dr. J. R. Petrie was also led and it was argued strenuously that the effect of the evidence was that the named companies could not be considered to be in a position to exercise control with respect to the price of purchased pulpwood.

The general results of the statistical compilations which are relied upon by the companies are shown in Exhibit H-48 which presents data for the provinces of Quebec, New Brunswick and Ontario separately and then for the three provinces taken together. The inquiry has been concerned only with some districts in the Province of Ontario and it was admitted that the statistical material available did not contain figures for the particular districts which could be segregated from the totals. In the case of New Brunswick none of the named companies operates a mill in that province, although the forest operations of one New Brunswick mill are conducted by one of the named companies. It is obvious that for these reasons provincial figures for Ontario and New Brunswick would show relatively small proportions of the total supply of pulpwood purchased by the named companies.

The portion of Exhibit H-48 relating to the Province of Quebec is as follows:

"FOREST PRODUCTS BOUGHT AND SOLD IN THE PROVINCE OF QUEBEC"

Analysing the position in the total market for raw wood products of a certain group of companies purchasing pulpwood.

Unless otherwise noted the figure shown is the average annual figure for a seven-year period between 1947 and 1954.

1.	Pulpwood purchased in Quebec for domestic consumption by the named companies	(1)	1,408,978 cords
2.	Pulpwood purchased in Quebec by named companies for export to foreign countries	(2)	49,887 cords
3.	Total of 1. and 2.		<u>1,458,865 cords</u>
4.	Pulpwood purchased in Quebec for export to foreign countries by other exporters		428,909 cords
5.	Pulpwood purchased in Quebec by Quebec companies (other than those named)		100,423 cords
6.	Pulpwood purchased in Quebec by New Brunswick companies	(3)	99,035 cords
7.	Sawlogs of pulpwood species purchased in Quebec by lumber companies		491,221 cords
8.	Round mining timber exported from Quebec		17,748 cords
9.	Total of 4, 5, 6, 7 and 8		<u>1,137,336 cords</u>
10.	Total of 3 and 9		2,596,201 cords
11.	[Named companies] percentage of market for same raw product		56%
12.	Fuelwood sold by farmers (figure for one year only - 1950)		502,743 cords
13.	Poles, piling, posts and miscellaneous products sold by farmers - (1950)		18,158 cords
14.	Sawlogs of non-pulpwood species purchased by lumber industry		<u>190,719 cords</u>
15.	Total of 12, 13 and 14		<u>711,602 cords</u>
16.	Total of 10 and 15		3,307,821 cords
17.	[Named companies ¹] percentage of market for same and similar products		44%
(1)	These are the actual figures reported by the companies, increased by 16% to allow for the shortfall in returns.		
(2)	These are actual figures reported by the companies plus an estimated 15,000 cords per year for Armstrong Forest Co. and Diamond Match Co.		

- (3) This figure is taken from Que. Dept. of Lands and Forests Annual Reports. 32,464 cords of this quantity was purchased by N.B.I.P. Co., a subsidiary of the same parent company as the C.I.P. Co.

All other figures are from D.B.S. sources."

(Exhibit H-48)

The matter of including forest products, other than pulpwood, in an analysis of purchases of pulpwood is one which requires consideration. There was general agreement by all parties concerned in the inquiry, including the Director, that no sharp dividing line exists between trees used for pulpwood and those used for other purposes. On the other hand it is clear that a considerable part of the wood used for pulpwood is, in practice, suitable only for that purpose. Another factor is that where alternative types of wood are available, labour may be devoted to the production of one class of end product rather than another. These two aspects are indicated in the following extracts from the evidence.

In a letter of July 11, 1950 Mr. C. Little of J. B. Kemp Company, broker, wrote to Mr. L. M. Routliffe (E. B. Eddy) in regard to the attitude of suppliers of pulpwood:

". . .

. . . They feel the demand for saw-logs will be good this coming winter and that if we cannot pay a reasonable price for pulpwood, the average man will take out saw-logs rather than pulpwood. . . .

. . ."

(ARG 300, 1348)

Mr. J. E. Ward (Consolidated):

"A. . . . He takes the best logs he can get out of those trees and sells them to the sawmills, because he gets a better return from them. Then he has his butts and tops. They are no good for lumber, or are not acceptable, or perhaps the trees are too small for lumber, and he sells that as pulpwood."

(Evidence, p. 238)

Mr. L. H. Paquet (Howard Smith):

"A. . . . particularly on freehold land, we have disposed of trees and we are still disposing of trees according to the best market we have. In other words, we might take part of the tree for veneer logs, part of the tree for saw logs and the balance of the tree right up to a useful size for pulpwood, so far as that is concerned, and some of it for firewood."

(Evidence, p. 576)

Mr. T. A. Earley (St. Lawrence):

"A. . . . If the log price is good they may cut down their trees and put the better part of the tree into logs. They very often do. Then, we get the top.

Q. Do you like that?

A. No, I do not, sir. . . ."

(Evidence, p. 48)

Mr. C. R. Harris (St. Anne):

"A. . . .

One of the greatest competitors we have right now, and of which we have no way or means of knowing anything, is the lumber mill or the sawmill right alongside of us. Thousands of logs are made every year by the same man who makes pulpwood, and we do not know what he gets for it but we do know that in many cases we get only small trees, the knotty trees and the tops and limbs. . . ."

(Evidence, p. 1476)

Mr. J. W. Paterson (E. B. Eddy):

"A. . . . One factor which I did not bring out, and which is very important, is the demand for sawlogs -- private lands sawlogs. When they are high, that is a competitive factor. And it indicates, usually, that there will be less pulpwood offered. That has not been a factor for about three years, because the low-quality sawlog market has been very much off. It is a factor today, for the season 1955-56. . . ."

(Evidence, p. 3142)

Because of these factors, counsel acting for the named companies was asked to elaborate on the inclusion of non-pulpwood products in Exhibit H-48. The following discussion took place:

"MR. WHITELEY:

There are one or two other points with regard to Exhibit H-48, and the general argument based upon it, which I think deserve further attention.

The first is on the point of sawlogs, apart from the question as to what is embraced within the term. So far as I have grasped the evidence we have heard until now, the wood, in a sense, falls into two classes: the first class is wood which may be used either for pulpwood or for saw-wood, or perhaps other purposes such as veneer, and so on. The other class is wood which apparently is suitable only for pulpwood.

In other words the sellers of that wood have, as a market, only those interested in the purchasing of that wood for pulp. The sellers of wood which is suitable for more than one purpose presumably have various buyers who may seek it. When, then, you take wood suitable only for pulp, and add to it wood which is suitable for use for pulp and other uses, you are adding to the supply side of your situation. And you may be adding to the degree of competition which the sellers of wood suitable only for pulp have to face. But with respect to those who are buying wood to be used only for pulp, they remain the same. However their choice is widened between the two classes of wood. So that when you present a picture such as was presented in Exhibit H-48, have you not added to the supply side without affecting the buying side?

MR. COYNE:

Well, Mr. Commissioner, I would say this, first of all, that I think perhaps you should include a third class, if you are looking at the wood that is available for sawmill purposes across the entire field. I think there are three classes of wood. There is wood that is available -- that can be used -- for pulpwood only; and there is wood that can be used for sawn lumber only, and wood that can be used for either purpose. And I would say in answer to the proposition that you have raised that I think your point is perfectly well taken, And the farther you go down this exhibit, as no doubt it has

occurred to you in your examination of it, the more you are bringing in types of wood which have alternative uses, and an increasing measure of alternative uses, in addition to pulpwood.

Now, in my submission I do not think anything particularly can be drawn from the fact that you are increasing on the supplies side a type of wood with alternative uses, which might throw increased pressure on those sellers who have the type of wood with only one use -- that is, unless you can establish that the people who have the type of wood with only one use are faced with an overall agreement or some type of collusion which jeopardizes their competitive position.

Also I would say this, that we do not attach too much significance to the lower part of the exhibit. I would be quite content in putting this forward to you, Mr. Chairman and Mr. Commissioner, if you wish to analyze the figures without being faced with the factor which Mr. Commissioner Whiteley has raised, to leave out those items -- I believe they are items 7 and 8 -- which are affected by that factor, and deal only with the pulpwood itself.

Now, I suggest that if you do that there are then certain other changes which you have to make in the exhibit. And in the first place you have to reduce item No. 1 by 350,000 cords, which is limit wood, and not farmer wood, whereas item No. 4 -- the other big item -- is farmer wood only by virtue of the fact that no limit wood can be exported from Quebec.

You would also have to consider if you are attempting to apply the reasoning contained in general terms in this exhibit to specific situations, times and places -- you would also have to consider the other point which I referred to a moment ago, that item No. 1 contains all the wood purchased by all the named companies and does not take into account circumstances such as we discovered this morning in relation to the Abitibi in 1947-48 where, in my submission, it is quite clear that even among the named companies there was a large volume of this wood which was not subject to any agreement or allegation made by the Director.

So that in that event you would have to transfer quantities of pulpwood down from item No. 1 to item No. 4 to get a really clear picture -- which of course would improve

the position of the -- in this case we can still call them the named companies, but I am referring to the ones clearly implicated -- as far as having a proportion of that particular market is concerned.

Now, to my mind this discussion, and the perfectly proper point you have raised, Mr. Commissioner, merely illustrates that there are certain limitations which must be applied to any general or total tabulation of this kind. And we certainly do not put forward any of these exhibits on the ground that they give some precise calculation or indication of the point which we are making. It is simply not possible in the face of the statistics to do so.

What my submission is and what I say lends significance and weight to these several exhibits is their extraordinary consistency, and the fact that when they are all put together and read with all the evidence, even allowing for the individual defects in a particular exhibit -- which can be readily discovered -- when you look at all the evidence, it is then that the significance becomes clear. Because then you can read these exhibits quite readily and consistently with the thesis that we are putting forward as to what was going on in this period.

You have the very greatest difficulty, I suggest, and you have to indulge in a degree of speculation and hypothesizing to permit you to read all of this evidence consistently with the thesis put forward by my friend."

(Hearing, pp. 2083-8)

In the case of the portion of Exhibit H-48 which relates to the Province of Quebec, changes in the first part of the table along the lines indicated by counsel would change the percentage shown above from 56 per cent to about 66 per cent. The suggestion that some allowance should be made for the degree of participation of certain companies at various times in arrangements for different districts does not appear to be appropriate when data being considered represent averages for a period of years. However, it would appear necessary to include in item 1 purchases by New Brunswick International Paper Company, whose woods operations are conducted by C.I.P.

The Quebec Department of Lands and Forests publishes annual figures of pulpwood obtained by individual companies in Canada and for export. If figures for the fiscal years 1947-48 to 1953-54 are averaged the following results are obtained:

Table 11

Average Annual Supplies of Pulpwood
Acquired in the Province of Quebec,
1947-48 to 1953-54.

	<u>Private Lands</u> cords	<u>Crown Lands</u> cords	<u>Total</u> cords
Total Production	2,238,678	4,303,264	6,541,942
Pulpwood obtained by Named and Associated Companies, Quebec, Ontario and New Brunswick	1,653,321	3,445,111	5,098,432
Percentage of Total	73.8	80.1	77.9

Source: Report of the Minister of Lands and Forests of the
Province of Quebec.

It was argued by counsel for the named companies that as a first step in considering whether arrangements or practices might be found to be contrary to Canadian anti-combines legislation it was necessary to determine whether the parties alleged to be responsible controlled all or substantially all the trade in the particular commodity under inquiry. The Commission was referred to a number of Canadian cases in which it was found that the parties concerned controlled all or practically all the trade in connection with which restrictive arrangements or practices were found to exist. The Commission has carefully considered the arguments and the references which were cited but it does not find the latter helpful or relevant to the consideration of the circumstances disclosed in the present inquiry. In practically all the earlier cases the arrangements related to manufactured goods or to products which were in distribution through regular channels of trade. The parties concerned were normally engaged in supplying a common market which was readily identifiable, and potential customers could make a selection among the products of the different manufacturers or distributors.

The supplying of pulpwood has entirely different characteristics from the distribution of goods in regular lines of trade. In a practical sense there is no continuous supply of pulpwood which comes on to a market in a consistent manner. In the ordinary course the production of pulpwood for sale only occurs when the farmer has accepted a contract to produce a quantity of pulpwood. The situation was described, as follows, in the evidence of Mr. Vernon Johnson, President, C.I.P.:

"Q. Now, I would like to ask you this question: when you purchase wood, and when you have made your choice, that you are going into the purchase market to purchase wood, is that something you are going in to purchase just as you would go into a shop to buy something off the shelf? What is the situation? Where is the wood?

A. You really have to go to somebody who owns standing trees. You buy from him something that is not yet made. He has a lot of standing trees in his woodlot. He agrees with you, under a certain condition, to cut those trees, and put them in piles, and let us measure them; or he will put them on the river, or on a car or truck, and deliver them to our mill. He is talking about something that he has not got yet; and we are talking [about] something that we cannot get. We cannot put our hands on it. We cannot see it until he makes it. And that is after we have made our arrangement with him."

(Hearing, pp. 90-1)

This means that there is no market for pulpwood in the sense in which that term applies in the cases to which the Commission was referred. The picture is one of a series of local situations, as described by Mr. Vernon Johnson:

"A. There is no such thing as an established pulpwood market, as you would call the market down behind the Chateau a vegetable market. There is no place where you can go and find out information or buy pulpwood. You have to go to the people who are in that business, or to the man who owns the standing timber, owns the woodlot or owns the freehold land or limit from which it will come. To me there is no such thing as a market. We speak of it as a market, but there is no place where you can go for information of that kind.

Q. Now, whatever you call it, is there an overall purchase market in eastern Canada today?

A. No, there is no such thing as an overall market. There are local -- we call it the local pulpwood market. But there are local conditions right here in the Gatineau, the Rouge, the Upper Ottawa, the Matapedia and Gaspé, all of which are somewhat different, due to the distance from mills and geography and availability of labour, and transportation, and so on."

(Hearing, p. 80)

In some of the local areas there may only be one buyer for pulpwood. Mr. Johnson said this was the situation in an area supplying part of the requirements of the Hawkesbury mill:

"A. That is a non-competitive area down there. There is no one else goes into that market. We have it all to ourselves. . . ."

(Hearing, p. 421)

The situations thus range from areas in which there may be a single buyer, to those in which there may be several buyers and, on the other hand, to districts in which there may be buyers for a number of domestic mills and for mills outside the country as well.

In referring to the operations of E. B. Eddy, Mr. J. W. Paterson of that company said:

"A. . . . the people that we compete with for pulpwood are Canadian International Paper Company. The others hardly count at all, alongside of them."

(Evidence, p. 3154)

In reporting on a meeting of August 2, 1950, Mr. R. S. Botham (Ontario Paper) wrote:

". . .

Gair, C.I.P., KVP, and Eddy's are the chief buyers of rough wood in this area. . . .

. . ."

(ASD 032, 2911)

When asked about buyers who were represented at Ottawa-Hull meetings Mr. D. W. Jamer (James MacLaren) gave the following evidence:

"Q. Now, can you tell me the names of any companies that bought -- that is, individuals or companies -- that buy in the area, on their own account, who were not attending meetings?

A. At any meeting, do you mean?

Q. At any meetings, yes.

A. No, I cannot; -- that at some time or another did not send someone."

(Evidence, p. 3339)

It would be expected that the period of the Korean War would result in the most active buying situations. During this period Mr. R. S. Botham (Ontario Paper) wrote in regard to a meeting of November 27, 1951 which dealt with the Abitibi district:

". . .

. . . However, this departure from agreed prices was being done by Brokers not buying for the represented companies and it was decided that the quantity involved, compared with the overall requirements, was small and the final decision reached by the represented companies that we should not let such buying disturb our original agreement. . . .

. . ."

(ASD 002-4, 2939-41)

Referring to a meeting of August 21, 1953 Mr. Robert Chapleau (Richmond) wrote:

"Last Friday we had a meeting in Howard Smith's office here in Montreal, of the various Wood Buyers of Eastern Canada. Nineteen company representatives attended the meeting, representing approximately 95% of the Wood Buyers.

. . ."

(AQF 66, 59)

In a report of the same meeting Mr. T. A. Earley (St. Lawrence) described the companies represented as "the larger users of purchase wood" (2 API 187B-92C, 9607-12).

It must also be taken as significant of the position which the named companies considered they held in regard to the purchase of pulpwood that during the period of the Korean War when prices generally were advancing rapidly, the representatives of the various companies met in an endeavour to influence the course of the prices of pulpwood. In the face of the unusual buying pressure being exerted by domestic users and export customers at that time the arrangements made could only be regarded as likely to have any effect if those represented at the meetings had substantial control of pulpwood purchasing.

It is the opinion of the Commission that in wide areas embraced in the inquiry the companies against whom allegations are made in the Statement of Evidence were in a position when acting in concert to influence in a substantial way the price of purchased pulpwood and that the arrangements and practices disclosed by the evidence must be considered with regard to the position held by the named companies.

2. Knowledge of Pulpwood Supply and Demand

Evidence was led on behalf of the companies named in the Statement of Evidence in regard to the allegations made by the Director that the buying "companies were at all relevant times very well informed as to the state of the market." On the basis of the evidence given it was argued that the companies did not receive from the Woodlands Section, C.P.P.A., statistical information of a kind which would add materially to their knowledge of conditions affecting the demand and supply of pulpwood.

Mr. W. A. E. Pepler, Manager, Woodlands Section, C.P.P.A., described in his evidence to the Commission the various types of statistical reports which are issued by the Woodlands Section. Some of these consist of reports of particular inquiries or surveys which are not continued on a regular basis. Regular statistical reports which are issued during the course of the year consist of a weekly bulletin giving the number of men employed by member companies in their camps and other series of bulletins dealing with pulpwood. Among the latter is an annual survey of pulpwood production which embraces, with respect to each mill, pulpwood to be cut from company limits and pulpwood to be purchased. In addition, companies who are cutting or making purchases for affiliated firms in the United States are requested to supply figures for such export business. Requests for this information are sent out by the Woodlands Section during the early summer and the figures compiled are usually issued in a bulletin by October. Although in recent years companies have been requested to furnish particulars of anticipated purchases by districts for each mill, the Woodlands Section has continued to issue only overall figures for the projected programmes of cutting from limits and purchases of pulpwood.

Monthly reports for Eastern Canada are also issued by the Woodlands Section dealing with production of limit and purchased wood, deliveries of limit and purchased wood, consumption of pulpwood and physical inventory in block pile, streams and other storage. The Woodlands Section receives individual figures from the Dominion Bureau of Statistics for those companies who have authorized the furnishing of the information to the Woodlands Section. The latter

summarizes the figures and issues a confidential monthly report to members containing only the total figures. The figures given in the monthly report are cumulative during the wood year, showing the progress made by all mills taken together in achieving the programme for the year, but in semi-annual and annual reports overall figures are given for the provinces of Ontario, Quebec, New Brunswick and Nova Scotia.

It appears evident that with regard to the conditions prevailing in localities where the buying and selling of pulpwood is carried on the statistical information furnished by the Woodlands Section to its members would not, in itself, be particularly informative. In regard to any particular locality the representatives of brokers and larger dealers would probably be as well informed regarding local conditions as the representatives of the pulp and paper companies. Those companies whose activities extended into many areas would be able to bring together information about all such areas.

The evidence in the inquiry indicates to the Commission that one factor which has a very important bearing on the price level of pulpwood is the total quantity which is to be purchased in any season. Such information was furnished to member companies in the statistics issued by the Woodlands Section. In addition, at meetings of representatives of pulp and paper companies there was often exchange of considerable information about anticipated purchases, contracts made, deliveries of pulpwood and so on. They knew the previous year's programme of the companies for limit and purchased wood, the extent to which the several companies had succeeded in carrying out their programme in the various districts, the prices that had prevailed and any price changes that had occurred during the year, and the relative inventory position of the industry as a whole in the previous year as compared with the current year. These matters could scarcely fail to be highly informative concerning the state of the market, particularly when the programme for the current year was disclosed at meetings. By exchanging such information among themselves the buying companies obtained highly important information about pulpwood demand and supply which was unavailable to producers of pulpwood for sale. It may be noted that some occasions are indicated in the evidence when suggestions were made that steps should be taken not to reveal the actual scale of anticipated purchases of pulpwood by individual companies so as to leave suppliers even more uncertain about the demand for pulpwood.

3. Fluctuations and Variations in the Price
of Pulpwood

During his appearance before the Commission Dr. J. R. Petrie was asked what conclusions he would draw from the series of price indexes which he had prepared, from the tabulation of pulpwood contracts which formed the basis of the index of pulpwood prices and from the statistics relating to the purchases of the named companies in relation to the supply of forest products. The following are among the statements made by Dr. Petrie in expressing his conclusions:

"Q. Well, then, Dr. Petrie, I would like to ask you this question. Do you draw any conclusions from your study of these pulpwood prices in the exhibits you have filed today particularly with reference to the allegation in the Statement of Evidence which we discussed yesterday and which is to the effect that these prices were depressed below the levels they would have reached had the companies acted independently and competitively?

A. Yes, sir. As I said at the outset, when I took the stand yesterday afternoon, I do not believe that the allegation referred to in the Statement of Evidence is susceptible of proof directly one way or the other. I think I said I believe that indirectly, through a comparison of the action of pulpwood prices in the pulpwood market, that prices [of] comparable commodities in their markets might lead to some conclusions; that I felt that you could reach such conclusions and I have reached them, having done this work. My conclusions, simply stated and briefly stated is this: here we have seen volatile prices, swinging down, swinging up, swinging down and then back up again over a period of years, 1947-1948 to 1953-54, wide swings, wider swings than any of the other prices of comparable commodities which we have studied. I draw from this series of comparative data this conclusion, that there is no evidence statistically of collusion or control of a market.

Q. Collusion, did you say?

A. Collusion or control of a monopolistic nature of the market. When you have control of prices, as we did during World War II, and you start plotting price indexes on such charts as this you can draw a line across horizontally with the base line. You do not get swings like we have here, so that my conclusion is that there is no evidence as far as I as a professional economist am

concerned, that there was control in this market. It acted, in my opinion, as prices act in a free un-controlled and competitive market. That is my view, sir."

(Hearing, pp. 1220-1)

In cross-examination, Dr. Petrie commented further on the significance which he attached to price fluctuations and variations in arriving at his conclusions:

- "Q. Dr. Petrie, would you not agree that price fluctuations would be only compatible with a position of competition or of monopoly, I mean a position of competition or of price agreement?
- A. You are asking me, Mr. MacDonald, that under conditions of price fixing there would be fluctuations in price, is that your question?
- Q. Yes.
- A. There might be minor fluctuations here and there, particularly in a complicated market such as a market for pulpwood, but there would not be in my view as wide, there would not be the wide swings that we actually have had under contract prices for wood.
- Q. So that it would come down to the question of the amplitude of the fluctuations?
- A. Yes, I assume, Mr. MacDonald, if there is price fixing, if there were price fixing under any circumstances it would not be price fixing the price of wood across the board from Abitibi down to New Brunswick and Prince Edward Island. There would be different prices in different markets; I would assume that.
- Q. But you do agree with me that it is the amplitude of the fluctuations that you consider significant.
- A. In a given pulpwood area market, if the market is controlled, there would be no swings. That would be different. If, for the sake of argument, a group agree that X dollars is the price per cord in that pulpwood area I would assume X dollars would be the price paid on all contracts, or virtually all contracts.
- Q. But over the longer period?

- A. Over the longer period, under changing conditions of demand and/or supply there might be some small variation in price. This is purely hypothetical. I do not know the answer.
- Q. Even under a combine?
- A. Even under a controlled market.
- Q. So that the significant factor is the amplitude of the fluctuations?
- A. There are two significant factors. First and most important is the amplitude, the wide swings that we have seen; second, that you do have these variations in virtually all markets, or all the markets that I have seen.
- Q. What variations are you speaking about now?
- A. Variations from the norm, from the average.
- Q. Are you referring now to a particular exhibit?
- A. No.
- Q. Or what have you in mind?
- A. From memory, I recall that when you got an average price for wood in a given market specific contract prices swung below it and above it.
- Q. You are going back now to the Statement of Evidence. Is that what you have in mind?
- A. No, I am referring now to the raw data which Mr. Pepler had given to him by the named companies.
- Q. You used this as the base for your graphs?
- A. Yes.
- Q. In other words, you are referring to price variations in a given season shown by them?
- A. Yes."

The data compiled by Mr. W. A. E. Pepler, Manager, Woodlands Section, C.P.P.A., and referred to in the quotation from Dr. Petrie's evidence had been prepared from lists of contracts supplied by the named companies. The nature of the information which the companies were asked to furnish is indicated in the following extract from a letter of May 31, 1957 which had been sent to the companies by Mr. Pepler:

"In connection with the preparation of material to be used on the companies' behalf, would you please forward to this office, on or before June 21st, the factual data concerning contracts for purchased pulpwood during the period of the investigation, April, 1947 to January, 1955, except the season 1950-51, which you have already supplied.

The information required for each purchased wood contract is as follows: --

1. Date of Contract
2. Name of Contractor
3. Region where wood was to be purchased
4. Whether farmer's or limit wood
5. Quantity
6. Contract price and terms of delivery
7. Quantity delivered at contract price
8. Date of any adjustment in price
9. Adjusted price
10. Quantity delivered at adjusted price
11. Reason for adjustment

All broker and dealer contracts should be listed individually. Contracts made directly with farmers or small producers may be grouped by zones or districts, in which case, the number of individual contracts in each group should be given. Where contracts have been let to farmers or small producers at different prices, this should be shown and reasons for different prices given.

. . ."

(Exhibit H-42)

Figures of total purchases of farmers and limit wood were compiled from the lists by district, species of wood, method of delivery and class of supplier, i.e. producer, dealer or broker. In addition, two series of tables were prepared for purchases of rough spruce and balsam in certain districts showing by dates in each wood year the number of contracts initially let (Exhibit H-45) and the number of contracts for which prices were adjusted (Exhibit H-46) and the prices in each case. The exhibits contain separate

tabulations for the contracts made by each company and also classify the contractor as a producer, dealer or broker.

(a) Variation in Contract Prices

Exhibits H-45 and H-46 show in some years many variations in prices between different companies and even for the same company. In considering such price variations in relation to the discussions among the companies about the offering prices for pulpwood one should have in mind the special conditions applying to the marketing of pulpwood which distinguish the sale of the product from the sale of other products which move through regular distribution channels. It has already been mentioned that transactions involving the sale of pulpwood may be of a very local character, and variations in price may occur because of local conditions and the absence of a general market.

Mention has already been made of the situation, indicated by the evidence, that the classes of brokers and dealers were not clearly defined. The following letter of August 2, 1947 to Howard Smith from what was then designated the "Quebec Division" indicates how classes of brokers and dealers could become indeterminate in terms of price:

" . . . However, by the fact that it has been decided at the Cadillac meeting to pay the broker's price to all those who handle 500 cds or more, it means that practically all our X-selling contractors, except one or two, will get the broker's price.

. . . "

(BNF 343, 10026)

Another factor which may affect the price paid for pulpwood is whether the buying company has to do any financing in connection with the production of pulpwood. This is illustrated by a St. Lawrence memorandum dated September 10, 1948, referring to a meeting held in Quebec on September 8, 1948 at which brokers prices of \$11.00 to \$12.00 f.o.b. car were recommended for the Abitibi district. The memorandum contained the following:

" . . .

. . . For the Abitibi, International Paper Co. said they were paying their dealers \$12.00 per cord, f.o.b. car, with an allowance of \$1.00 per cord for financing. This would mean that we could pay \$13.00 per cord rough, f.o.b. car.

. . . "

(API 46, 2526)

The price of pulpwood may also be affected by the conditions under which the wood is shipped or delivered. If wood is delivered to a mill or at some other point by truck the price may vary according to the distance which the pulpwood has to be transported. Whether the pulpwood can be loaded directly on to railway cars at a siding or whether it has to be piled and then reloaded may also affect the price paid to the vendor. That the inclusion or exclusion of such costs as reloading and financing might lead to the offering of a price differing from the base price of pulpwood is indicated in the following inter-office letter of November 25, 1947 written by Mr. E. R. Goulet (C.I.P. -Noranda):

"I am advised by Montreal that St-Lawrence Paper Mills are to buy in this district at \$14.50 per cord f.o.b. cars without paying for reloading and financing. This is \$1.00 differential for non financed wood.

I do not expect that this will create any difficulty for us but would ask you to keep me posted."

(ASJ 95, 4166)

The quality of pulpwood may also be taken into account in arranging the contract price, as mentioned previously. A distinction is made between limit wood and settlers wood even in cases where wood is purchased, limit wood being considered more productive in terms of the yield of pulp. Apparently a distinction might also be made when the contracts called for a higher than usual proportion of the more highly regarded spruce pulpwood. This is indicated in the following extract from a memorandum dated August 24, 1953 prepared by Mr. Robert Chapleau (Richmond):

". . .

I have submitted my position to the Chairman in connection with quality; as we do not haul Balsam from Abitibi [sic] at a high freight rate, we have been buying on a selective basis. The same rule applies to New Brunswick and therefore we cannot be expected to pay the same price as the other companies for high quality wood.

". . ."

(AQF 202-8A, 63-9)

Among other factors which might affect the price of pulpwood could be the quantity of wood to be supplied under the contract. A large contract would presumably involve less expense per unit than a number of small contracts, and the buying company might be prepared, therefore, to pay a higher price per cord for a large

quantity of pulpwood secured under a single contract, particularly if there was an active demand.

The foregoing comments are not intended to describe all the factors which might affect the price of pulpwood because of the particular conditions applying to an individual contract. They will serve, however, to indicate that variations in prices would be expected even with the acceptance of a common base price by a number of purchasers.

Without full details of each contract listed in Exhibits H-45 and H-46, including the conditions as to financing, loading, delivery, quality of wood and classification of each vendor by the respective companies as producer, dealer or broker, it would be impossible to reach any conclusion as to the character of the variations in prices shown by these exhibits. Dr. Petrie did not attempt an analysis on the basis of such full information, as the contracts were not submitted by the companies and it is not clear that even the contracts would contain, in every case, all the relevant information as to the applicable conditions and the class in which the vendor would be placed by all interested companies.

In order to gain a picture of the range of price variations shown in Exhibits H-45 and H-46 the number of contracts for brokers and dealers at each price in each wood year has been totalled for the classification "f.o.b. car" in each district. This particular classification was chosen for examination because it is considered that fewer variable conditions might arise with this method of delivery than with some of the others for which data are given in Exhibits H-45 and H-46. There is also more complete evidence about discussions on prices f.o.b. cars than for some of the other price bases. The compilation has been limited to the broker and dealer listings because in most districts there are no producer contracts shown "f.o.b. car" and in those cases where producer contracts are listed for this method of delivery the number recorded is usually small. As the tabular presentation in this form is extensive even for a single district, the Abitibi district will be reviewed here. Similar tables for other districts are given in the Appendix. In some cases in Exhibit H-45 indication is given of other contracts at certain prices but the number of such contracts is not available. In totalling the number of contracts in Exhibits H-45 and H-46 account has not been taken of such contracts because no figure could be assigned. It will also be found that in a few instances the number of contracts adjusted exceeds the number of contracts let. This may be due to the fact that some of the former may be covered by the groups for which the number of contracts was not available, or may be due to a contract being adjusted more than once before it was completed.

Table 12

Distribution of Pulpwood Contracts
for Farmers Rough Spruce and Balsam
F.O.B. Car
by Wood Years, According to Price

Abitibi District

<u>Wood Year</u>	Initial or Adjusted Price	Number of Initial Contracts Let		Number of Contracts Adjusted	
		<u>Broker</u>	<u>Dealer</u>	<u>Broker</u>	<u>Dealer</u>
June 1, 1947 to May 31, 1948	\$10.00		1		
	11.60		1		
	12.00		3		
	12.15		2		1
	12.50		21		1
	13.00	1	7		1
	13.15		6		
	13.25				1
	13.50	1	24		13
	14.00		8		1
	14.25				1
	14.50		7		
	15.00	1	2		
	15.25	1			
	15.50	2			
	15.75	2			
	16.00	1			
	16.75	2			
	16.83	—	—	1	—
Total No. of Contracts		11	82	1	19
June 1, 1948 to May 31, 1949	11.00		53		
	12.00		2		
	12.50		1		
	13.50	1			
	14.00	1	4		
	14.50		1		
	15.00	—	3		
Total No. of Contracts		2	64		

Distribution of Pulpwood Contracts
for Farmers Rough Spruce and Balsam
F.O.B. Car
by Wood Years, According to Price (con.)

Abitibi District (con.)

<u>Wood Year</u>	Initial or Adjusted <u>Price</u>	Number of Initial Contracts Let		Number of Contracts Adjusted	
		<u>Broker</u>	<u>Dealer</u>	<u>Broker</u>	<u>Dealer</u>
June 1, 1949 to	\$10.50		22		
May 31, 1950	11.00	1	6		
	11.50	2	1	1	
	11.65	1			
	12.00	1			
	13.00			1	
	13.50			1	
Total No. of Contracts		—	—	—	—
		5	29	3	
June 1, 1950 to	12.00	1	7		
May 31, 1951	13.25		7		
	13.75	1	1		
	14.00		2		2
	14.50				1
	15.00		1		3
	15.50	1			1
	16.00	1	5		4
	16.25	2			
	16.50				3
	16.75			1	
	17.00		3		6
	17.25	1		2	
	17.50			1	11
	18.00	1	3		14
	18.25	1	1	2	
	18.50		1	1	
	18.75			2	
	19.00	1			
	19.25			1	
	19.48			1	
	21.00	2	—	—	—
Total No. of Contracts		12	31	11	45

Distribution of Pulpwood Contracts
for Farmers Rough Spruce and Balsam
F.O.B. Car
by Wood Years, According to Price (con.)

Abitibi District (con.)

<u>Wood Year</u>	Initial or Adjusted <u>Price</u>	Number of Initial Contracts Let		Number of Contracts Adjusted	
		<u>Broker</u>	<u>Dealer</u>	<u>Broker</u>	<u>Dealer</u>
June 1, 1951 to	\$14.00		2		
May 31, 1952	15.50		1		
	16.00	3			
	16.75		9		
	17.00	1	1		
	18.00	1	33		
	18.25		3		
	19.00	4			
	19.25	2			
	19.50	2			
	20.00			1	
	21.00		1		
	23.00	<u>1</u>	<u>—</u>	<u>—</u>	
Total No. of Contracts		14	50	1	
June 1, 1952 to	14.00		3		
May 31, 1953	18.00	<u>1</u>	<u>—</u>		
Total No. of Contracts		1	3		
June 1, 1953 to	15.00	8			
May 31, 1954	15.50	1			
	17.50	<u>1</u>			
Total No. of Contracts		10			

A meeting to discuss prices in the Abitibi district was held at Noranda on April 23, 1947. The prices for rough wood established at this meeting were \$11.00 to the producer, \$11.50 to the dealer and \$12.00 to the broker, with a deduction of 25 cents per cord for wood piled on the ground and a maximum allowance of \$1.25 per cord for piled-down wood which was reloaded. Representatives of C. I. P. had discussed the holding of the meeting with representatives of Spruce Falls and when the latter indicated that they were under instructions not to agree to any price set up they were not asked to attend (ASH 42D-47, 5761-6).

The situation in the Abitibi district in the wood year 1947-48 appears to be that a number of companies decided upon a common price schedule but that Spruce Falls established its own prices. The first contracts listed on Exhibit H-45 appear opposite the date June 3, 1947 and show a price of \$11.60 for a dealer by Howard Smith and \$13.50 for a dealer by Spruce Falls. On June 11, 1947 Howard Smith advised its Amos Division of an advance of 50 cents in prices, resulting in a price of \$11.50 to the producer, \$12.00 to the dealer and \$12.50 to the broker (AQH 223A-5C, 12262-4).

Another meeting was held at Noranda on October 16, 1947 which was attended by representatives of Spruce Falls. A price schedule for the Abitibi district similar to that prepared by Howard Smith in June was circulated. A copy of this found in the files of Abitibi bears the following pencilled notation:

"1.00 extra for those paying no advance. Maximum
\$1.50 per cord piling down instead of \$125 per cord
as per last year."

(ASH 94G-95H, 5812-3)

The deduction of 25 cents per cord for wood piled on the ground had apparently been abandoned earlier (BNF 321, 10001).

Notes of the meeting of October 16, 1947, prepared by Mr. J. Hundevad (Abitibi) contain the following:

" . . .

Mr. Goulet of the C. I. P. company acted as chairman. He opened the meeting by expressing his hopes that those attending would co-operate in adhering to the proposed price schedule which had been prepared and of which copies were distributed at the beginning of the meeting. A copy of this schedule is attached. Also attached is a copy of the agenda.

Stability of Prices The price schedule was established last spring and it was the opinion of Mr. Goulet and Mr. Kugelman that these prices would be satisfactory for the remainder of the season and that no changes would be necessary. All the representatives except Mr. McCrae of the Spruce Falls Company agreed that wood could be purchased at these prices. Questioned as to why Spruce Falls could not adhere to these prices, Mr. McCrae informed the meeting that his Company was already contracting at higher prices but Mr. McCrae would not say how much Spruce Falls were paying. Mr. Kugelman deplored the attitude of the Spruce Falls Company and while he welcomed Spruce Falls representatives to the meeting, he could not see why these men were present if they were not willing to lay their cards on the table and co-operate with other Companies buying wood in Quebec. By paying higher prices Spruce Falls would only force the other Companies to increase their prices if necessary and the price war will only make the Companies look like fools in the eyes of the public. Mr. McCrae was asked by Mr. Paquet whether anything could be accomplished if members of the committee to called [sic] on Mr. Phipps with a view to request [sic] co-operation. Mr. McCrae did not know. It was agreed that all other Companies would adhere to the Abitibi price schedule, unless they were forced by Spruce Falls competition to pay higher prices.

. . ."

(ASH 82A-87, 5815-20)

On October 29, 1947 Howard Smith wrote to Abitibi that because higher prices than those of June 11 were being paid by others an advance in prices of \$1.00 per cord was being made on contracts made since October 1 and that "we are advising all the various companies involved of our action" (ARF 265B, 1908). The increase would result in prices of \$12.50 to the producer, \$13.00 to the dealer and \$13.50 to the broker.

From the figures in the above table for the year 1947-48 it will be seen that there were 11 broker contracts and 82 dealer contracts let which could be counted. The following further details relate to the broker contracts:

<u>Date</u>	<u>No. of Contracts</u>	<u>Quantity Delivered</u>	<u>Price</u>
No date given	1	203	\$13.50 Rough Spruce
" " "	1	121	13.00 Rough Balsam
July 5, 1947	1	8,077	15.75
Sept. 22, 1947	2	11,562	16.75
Nov. 14, 1947	1	8,399	15.25
Nov. 20, 1947	1	897	15.50
Dec. 16, 1947	1*	-	16.00
Dec. 16, 1947	1	63	15.00
Feb. 10, 1948	1	1,385	15.50
Apr. 27, 1948	1	15,223	15.75

* A contract at this price was revised in September, 1948 to \$16.83 and 10,275 cords were delivered.

The broker contract at \$15.75 under which 8,077 cords were delivered was one made by Spruce Falls on July 5, 1947. Exhibit H-45 also lists a dealer contract for C.I.P. -Noranda under date of August 1, 1947 at \$14.00 under which 1,240 cords were delivered and a dealer contract of September 12, 1947 for Spruce Falls at \$14.00 under which 1,532 cords were delivered.

Exhibit H-45 does not show the quantity of pulpwood originally contracted for but it will be seen that of the nine broker contracts at prices above \$13.50 there were five under which very substantial quantities of pulpwood were eventually delivered.

In the case of dealer contracts for 1947-48 it will be seen that over half the total number are concentrated at \$12.50 and \$13.50 and that 13 of the 19 adjusted contracts were revised with a price of \$13.50. It will also be recalled that in August 1947 the field representative of Howard Smith considered that:

" . . . by the fact that it has been decided at the Cadillac meeting to pay the broker's price to all those who handle 500 cds or more, it means that practically all our X-selling contractors, except one or two, will get the broker's price."

(BNF 343, 10026)

It would appear, therefore, that even in the face of the competition from Spruce Falls the large proportion of the contracts, including those adjusted, was made at the established prices taking into account the lack of any sharp distinction between brokers and dealers.

A meeting was held on April 21, 1948 to discuss prices of pulpwood in the Abitibi district for the 1948-49 season. A price schedule was drawn up for rough spruce, peeled spruce and peeled poplar. Spruce Falls was represented at the meeting and the following discussion of the position of Spruce Falls is contained in a report of the meeting prepared by Mr. G. D. Adams (Abitibi):

". . .

L. H. PAQUETTE[sic] - Howard Smith

If all stick to the price of \$18.00 we agree.

P. MURPHY - F. Burns[sic]

It is fine with us.

KUGELMAN - C.I.P.

We agree to stick to the price.

McRAE [sic] - Spruce Falls

I will stick to it until some one breaks it.

PAT MURPHY - F. Burns

The question is do some of you mean what you say here to-day, believe me I am in a position to tell them right now they have never done so in the past and there are other buyers here too who paid \$2.00 per cord over the agreed price and for fire killed spruce and jack pine too.

P. [sic] FRASER - Thompson Hyland [sic]

Yes, that is right and we have samples of their "X" stamp on the wood.

A. FRENCH - C.I.P.

Yes their buyer Cadeaux did that.

D. [sic] HURLEY - Brown Corp.

That is news to me I want all the dope on this.

L. H. PAQUETTE - Howard Smith

I would like to see the price of \$19.00 for peeled wood

I think \$3.25 is too big a jump, set the price at \$19.00 and do not take any fire killed wood. I want to ask McRae of Spruce Falls a specific question. You agreed to the price of \$18.00 per cord according to my notes - will you stick right to it?

McRAE - Spruce Falls

I agree to hold to the price of \$18.00, but do not agree not to increase it, if we cannot get our quota at the \$18.00 price, then we will increase prices until we do get our quota.

KUGELMAN - C.I.P.

Will you advise the Companies represented here to-day when you are going to increase your prices so we can all be on the same competitive basis?

McRAE - Spruce Falls

No I won't advise you.

L. H. PAQUETTE - Howard Smith

We are back to where we started, gentlemen, so the price will be \$18.00 until some one ups the price and the rumour gets around to the rest of us.

R. GALIBOIS - N. Gagnon [&] Fils

We will have to agree not to buy any rough spruce in the peeling season from now to the 15th of July.

CHAIRMAN GOULET - C.I.P.

Is it agreed that no rough spruce will be purchased during the peeling season?

ALL AGREED ON THIS

..."

(ARF 236G-42M, 1913-9)

The price schedule listed only producer and broker prices and the price for rough spruce f.o.b. cars was shown at \$10.00 for producers and \$11.00 for brokers. The earliest contract listed in Exhibit H-45 for the 1948-49 season for the Abitibi district is dated August 4, 1948, which is subsequent to the July 15 date mentioned above as having been agreed upon as the earliest date

for the purchase of rough wood. In an intra-company letter dated July 5, 1948, Mr. L. H. Paquet (Howard Smith) indicated that the opening date for the purchase of rough wood would be delayed further until August 15 (BNF 436, 10141) but in a later intra-company letter dated July 26, Mr. Paquet said that he expected buying would begin on or shortly after August 1 (BNF 440, 10145).

A report of a meeting held in Quebec City on September 8, 1948 contains the following reference to prices of pulpwood in the Abitibi district:

". . .

-Rates in Abitibi region have been agreed upon by Howard Smith and C.I.P. (Paquette [sic] & Kugelman) at
\$11.00 F.O.B. to dealers (financed)
\$12.00 F.O.B. to brokers

". . ."

(ASH 14C-16, 5748-50)

It will be seen from the above table that only two broker contracts were listed for the 1948-49 season but Exhibit H-45 indicates that there were others, number unspecified, at prices of \$11.50, \$12.50 and \$14.50. There were 64 dealer contracts specified, of which 53 were at a price of \$11.00. Under the broker contract at \$14.00 there were 3,040 cords delivered and under the other at \$13.50 there were 10,168 cords delivered. Under one of the \$15.00 dealer contracts 4,672 cords were delivered while the other two were grouped for a total of 2,199 cords. On the other hand, under the earliest contract made, August 4, at \$11.00 there were 5,333 cords delivered.

For the 1949-50 season the establishment of prices and the purchase of rough spruce were deferred until after the summer peeling season. Exhibit H-45 lists the first contract in the 1949-50 season for September 7, 1949.

At a meeting held on September 9, 1949 prices for the Abitibi district were set at 50 cents less than in the previous year, or \$10.50 for dealers and \$11.50 for brokers (ASH 6B-7, 5734-5). The table above shows only five broker contracts, but Exhibit H-45 indicates that there were some others, the number unspecified, at a price of \$11.50. The broker contracts adjusted were originally made at \$11.00 and one was revised to \$11.50 in June 1950, while the other two were revised to \$13.00 and \$13.50 at later dates, one after September 28, 1950.

It will be seen from the above table that there were 29 contracts with the dealer classification in 1949-50, of which 22 were made at the price of \$10.50 and six at the price of \$11.00.

The wood year 1950-51 embraced the upswing in prices which followed the outbreak of the Korean War. It was some time after the beginning of hostilities that the actual impact on prices, likely to be induced by the industrial speedup, began to be appreciated by pulp-wood buyers for most of the named companies. At a meeting of July 26, 1950 it was recommended that prices of rough wood in the Abitibi district be increased by \$1.50 per cord and that "no one should promote purchases until after the next meeting which should take place on September 7th" (AQC 150-4, 4621-5). According to Exhibit H-48 the earliest contracts for rough wood in the Abitibi district in the 1950-51 season were made in the period from September 1-8, 1950 and the next group was made on September 15, 1950.

At a meeting on October 4, 1950 a broker price of \$14.50 for the Abitibi district was set (API 100, 2564) and on October 10, Howard Smith sent out a schedule with a price of \$13.25 to the dealer (BNF 504, 10211). However on October 26 Howard Smith advanced prices to \$14.00 for the dealer and \$15.25 to the broker and so advised other companies (ASD 028, 2915). In November 1950 Howard Smith increased its price to dealers to \$15.00 (BNF 513-4, 10220-1) and in December 1950 to \$16.00 (BNF 521, 10228). On January 31, 1951 a meeting of senior executives of pulp and paper companies was held, as previously described, and it was decided to try and hold dealer prices in the Abitibi district to \$17.00 or \$17.50 (ASI 0011, 3879) which would result in broker prices of \$18.25 or \$18.75.

The figures in the above table for the season 1950-51 reflect the rapid increase in prices which took place during the wood year. The high number of contracts which were adjusted will be noted. The occurrence of a larger number of adjusted contracts than the number of contracts let is apparently due to the fact that adjustments were made as quantities were delivered so that there may have been several adjustments in prices for the same contract when deliveries were spread over a period. If the contracts are taken in their chronological order in Exhibit H-45 it will be found that until January 1951 no contract was made by any company at any higher price than those currently in effect by Howard Smith. At the January 1951 meeting it was decided that the highest prices were \$17.50 to the dealer or \$18.75 to the broker. Until March 1951 the highest broker contract let was for \$19.00. On March 24 one contract was let for \$21.00 and on April 6 there was another at the same price. In the case of dealer contracts there were three at \$18.00 and one each at \$18.25 and \$18.50. Only two broker contracts were adjusted to a level above that set at the meeting of January 31. In the case of dealer contracts 14 out of 45 were adjusted to a price of \$18.00 or 50 cents more than the maximum base price set at the meeting. All of these contracts were adjusted in March 1951 or later, five being adjusted in June 1951.

There was a discussion of prices of rough pulpwood for the 1951-52 season at a meeting held on July 17, 1950 at which \$18.00 per cord to the dealer was named as the offering price with broker's commission from \$1.00 to \$1.50 per cord. It was decided at the same meeting that buying should not begin until after an Executive Group Meeting but, in any event, could start on August 1 (ASD 022-3, 2922-3). The earliest contract listed in Exhibit H-45 for the 1951-52 season is for August 1, 1951.

The figures in the above table for the wood year 1951-52 show that all broker contracts except one were within the price limits decided at the July meeting or lower. All but four of the dealer contracts were placed at prices within the limits so decided. Three were at \$18.25 and one was at a price of \$21.00. Only one contract, that for a broker, was adjusted in this season.

For the wood year 1952-53 the price to the broker was reduced to \$15.00 at a meeting held on September 29, 1952 (AQC 270A-5B, 4477-82) and the same price was set for 1953-54 at a meeting held on August 21, 1953 (AQD 136-40, 504-08). The number of broker and dealer contracts in these two seasons was very much smaller than in preceding years. In 1952-53 there were three dealer contracts at the established price and one broker contract at \$18.00. The latter was not made until April 23, 1953 and 3,102 cords were delivered under it. In 1953-54 there were ten broker contracts, eight were at the established price, one was 50 cents higher and the other, \$2.50 higher.

With the evidence available it would not be possible to go much further in analyzing the data about contracts contained in Exhibits H-45 and H-46. In view of the evidence as to factors which might cause variations around the base price of pulpwood it would not be expected that, even with agreement, completely uniform prices would prevail for contracts for pulpwood in any period. When the distribution of contracts by price is considered in relation to the offering prices established for the respective periods it appears to the Commission that the prices so established had a very substantial influence at almost all times on the prices at which contracts were actually made.

The other feature in the statistical material prepared on behalf of the named companies which Dr. Petrie stated he regarded as particularly significant, was the wide fluctuations in year-to-year price of pulpwood as shown by the price indexes which he had prepared from the contract information furnished by the companies. According to the conclusions expressed by Dr. Petrie he would expect to find much greater stability in prices if control was being exercised rather than the wide fluctuations which are shown by the price indexes. The Commission does not consider that price movements from one buying year to another could, by themselves, be taken either as an indication of control or its absence.

If parties, having power to influence prices significantly, decide that prices should move in a certain direction and to a certain extent and take steps to achieve their objective there would be a price movement which could be attributed to the exercise of control. It becomes necessary, therefore, to consider the price movements from year to year in relation to the actions taken in the same periods with respect to prices. Further, it is considered by the Commission as a result of the analysis made of the information on contracts contained in Exhibits H-45 and H-46 that in most wood years within the period of the inquiry there has been considerable stability of prices during the buying season.

(b) Year-to-Year Fluctuations in Pulpwood Prices

In summing up the conclusions which he drew from the price indexes which he had constructed for pulpwood prices when compared with the movements in the prices of other commodity groups in the same period, Dr. Petrie said:

"Q. One final question and it is a general one. Would you express any general conclusion from the prices and market evidence taken as a whole?

A. Generally speaking the price movement of this commodity, namely, pulpwood, which, as I have said before, had swung higher and swung lower than the other comparable products, indicates to me quite clearly that conditions of competition prevailed in those pulpwood markets. It does not point to any effective control because, if you had effective control, you would not have these wide swings in price movement. Prices would be fixed, and those curves would tend to be horizontal rather than moving all up and down the face of my charts."

(Hearing, p. 1225)

In order to test the reliability of the weighted price index for pulpwood which he had constructed and which included only prices for those classes for which complete series of prices could be calculated for each year, Dr. Petrie also calculated a simple (unweighted) index of prices paid in all regions and also another weighted index which included all available data, including those classes for which a complete series of prices was not available. In the case of the weighted indexes the quantities used for weighting were the purchases made in the year 1948-49 with respect to each class of contract. The three series of indexes of prices paid for pulpwood as constructed by Dr. Petrie are shown in the following table:

Table 13

Indexes of Prices Paid for Pulpwood,
1947-48 to 1953-54

(1948-49 = 100)

	I	II	III
<u>Years</u>	<u>Weighted Index Complete Series</u>	<u>Unweighted Index</u>	<u>Weighted Index Incomplete Series</u>
1947-48	112.4	108.7	100.5
1948-49	100.0	100.0	100.0
1949-50	91.3	92.4	89.9
1950-51	137.4	131.6	130.3
1951-52	141.9	143.0	141.2
1952-53	113.9	121.0	105.8
1953-54	120.4	116.6	115.7

Source: Exhibit H-55.

It will be seen from the above table that generally the three series of price indexes follow the same pattern except that at the beginning of the period the index based on the incomplete series does not reflect higher prices in 1947-48 and at the end of the period the unweighted index declines in 1953-54 from 1952-53, whereas the other series advance. The indexes are, of course, composite measures as they were based on the average prices in each season for all types of wood, all classes of vendors and all methods of delivery. They cannot be related directly to the information about the prices for individual species of wood or type of sale, which were the subject of discussion among the representatives of pulp and paper companies as disclosed by the evidence. However another price series which relates to one class of wood and type of sale is contained in Exhibit H-33 which consists of graphs of the prices of peeled spruce and balsam, rough spruce and balsam and peeled poplar by months from January 1946 to December 1955 paid f.o.b. cars shipping point to dealers by E. Lagueux & Fils Limitée, pulpwood broker of Quebec City. As 50-cent price intervals were used in constructing the chart

it is possible to calculate the average prices for rough spruce and balsam by wood years and thus construct a price index. The following table shows the price index thus constructed for the years 1947-48 to 1953-54 and compares it with the weighted and unweighted composite price indexes constructed by Dr. Petrie transferred to the same base.

Table 14

Comparison of Index of Price Paid to Dealers
for Rough Spruce and Balsam F. O. B. Cars Shipping Point
and Composite Weighted and Unweighted Pulpwood Price Indexes
1947-48 to 1953-54

(1947-48 = 100)

<u>Years</u>	Index of Price Rough Spruce and Balsam ^(a)	Composite Pulpwood Price Indexes ^(b)	
		I	II
		<u>Weighted Series</u>	<u>Unweighted Series</u>
1947-48	100.0	100.0	100.0
1948-49	84.0	89.0	92.0
1949-50	73.6	81.2	85.0
1950-51	108.5	122.2	121.1
1951-52	128.5	126.3	131.6
1952-53	96.0	101.3	111.3
1953-54	96.7	107.1	107.3

Sources: (a) Exhibit H-33.
(b) Exhibit H-55.

It will be noted that the index for rough spruce and balsam shows a greater decline in the period from 1947-48 to 1949-50 than the composite index, about the same proportionate increase as Index II between 1949-50 and 1950-51 and a greater increase than either Index I or II between 1950-51 and 1951-52. A greater decline is also shown by the index for rough spruce and balsam between 1951-52 and 1952-53. The General Manager of E. Lagueux & Fils Limitée said in his evidence that the firm's export sales formed from 40 to 45 per cent of the total business and the influence of export prices may be a factor leading to the greater advance shown by the index in 1951-52. In 1951, export sales of rough spruce and balsam constituted 16 per cent of the total sales of E. Lagueux & Fils Limitée for this class of wood, whereas in other years export sales were confined completely or almost completely to peeled wood.

It will also be noted that the price index for rough spruce and balsam remains relatively stable in 1952-53 and 1953-54 in contrast with the conflicting movements shown by the composite weighted and unweighted indexes. The relative stability in the price index for rough spruce and balsam conforms to the general pattern of contract prices shown in Exhibit H-45 and also to the general effect of the evidence regarding prices of such species established at meetings in 1953, namely that prices were to be the same as in 1952-53.

The average price for rough spruce and balsam, calculated from the graph in Exhibit H-33, and the year-to-year difference in price are given in the following table:

Table 15

Average Price of Rough Spruce and Balsam,
F.O.B. Cars Shipping Point to Dealers
and Year-to-Year Change in Average Price,
1947-48 to 1953-54.

<u>Years</u>	<u>Average Price Rough Spruce and Balsam per cord</u>	<u>Year-to-Year Change per cord</u>
1947-48	\$14.79	\$
1948-49	12.42	-2.37
1949-50	10.89	-1.53
1950-51	16.04	+5.15
1951-52	19.00	+2.96
1952-53	14.20	-4.80
1953-54	14.30	+ .10

Source: Exhibit H-33.

The prices so calculated are simple averages which take no account of the volume of deliveries made in any month. The chart from which the prices were derived shows the prices paid by one broker to dealers and would not reflect any changes in broker's commission which may have occurred during the period. As E. Lagueux & Fils Limitée made purchases in several districts the chart may not reflect the prices in any one district.

It is not possible to prepare from the evidence in the inquiry a table which would show the actual differences in the prices established from time to time by discussion among the representatives of the pulp and paper companies. The most that can be done is to relate in a general way the changes in prices so arrived at with the available information about movements in pulpwood prices from year to year.

From the above table it will be seen that the average price of rough spruce and balsam declined by somewhat more than \$2.00 per cord from 1947-48 to 1948-49. In an annual report for his company prepared on February 25, 1949 Mr. C.R. Harris (St. Anne) wrote:

" . . .

In taking advantage of the market and in keeping with an inter-company recommendation, the base price to Brokers was lowered from \$16.25 to \$14.00 per cord, f.o.b. car . . .

. . ."

(AQC 367-83, 4646-62)

This would amount to a reduction of \$2.25 per cord, which is about the amount shown by Exhibit H-33. The prices used by Mr. Harris in his report apparently related to the districts bordering the St. Lawrence River. If the price of \$13.50 is taken as a representative price to dealers in the Abitibi district in 1947-48 then the price of \$11.00 established for 1948-49 would represent a reduction of \$2.50. It will be seen from the tables based on Exhibits H-45 and H-46 which are contained in the Appendix that the difference in prices between 1947-48 and 1948-49, if modal groups are taken, was somewhat less in some districts.

For the year 1949-50 the offering prices to dealers and brokers in the Abitibi district, as previously mentioned, were reduced 50 cents per cord from the base price of the previous year. For the South Shore the reduction in the brokers price was from \$14.00 (ASH 15, 5749) to \$11.50 (ARF 277C-81G, 1950-4) or \$2.50. In the Ottawa Valley district the reduction in the producers price was from \$12.00 (ARG 175A, 1313) to \$10.50 (ASD 042, 2899) or \$1.50. The average price calculated from Exhibit H-33 shows a reduction of about \$1.50 in 1949-50 from the 1948-49 level. The modal groups in Exhibit H-45 show a reduction between the two years of 50 cents for the Abitibi district, \$2.00-\$2.50 for the South Shore, \$2.50 for the Eastern Townships, \$2.00-\$2.75 for New Brunswick and \$1.50 for the Ottawa Valley, which differences generally conform to the differences between the offering prices established in the two years for the respective districts.

The advance in prices during 1950 and 1951 has already been described in some detail and the relationship between prices established at meetings and contract prices reviewed on the basis of the statistical material included in the evidence. It is unnecessary, therefore, to go over the ground again.

The offering prices established for 1952-53 were \$4.00-\$4.25 per cord lower than those for the previous year for the Abitibi district (AQF 47A, 62) and \$5.00 per cord lower for the South Shore, Eastern Townships and Gaspé district, and \$6.00 for New Brunswick (2 API 150-3, 9545-8; 2 API 145-7, 9550-2; AQC 270A, 4477). The average price calculated from Exhibit H-33 shows a

reduction of \$4.80. The modal groups in Exhibit H-45 show a reduction of \$4.00 for the Abitibi district, \$5.00-\$6.00 for the Eastern Townships, \$5.00 for the South Shore, and \$5.00-\$6.00 for New Brunswick. These differences in the prices for modal groups closely correspond with the differences made in the offering prices established through discussions among the representatives of pulp and paper companies.

For the year 1953-54 the offering prices established for rough spruce and balsam were generally the same as those which had been established for the year 1952-53 in the various districts. The average price calculated from Exhibit H-33 shows very little change between 1952-53 and 1953-54 and the modal groups in Exhibit H-45, appear, in most cases, in the same price ranges in both years, although for some classes the number of contracts is so small that it is difficult to find a modal group of any size.

From its study of the statistics as to prices the Commission is unable to agree with the conclusion expressed by Dr. Petrie that such evidence indicates the absence of control over the prices of pulpwood by arrangement among the named companies. The foregoing review of the buying prices arranged among the companies and the prices paid for pulpwood points to a high degree of correspondence at most times between offering prices and contract prices. In the Commission's view the statistics contained in the evidence as to prices are consistent with the great weight of other evidence that the arrangements were intended to have an effect on the prices which would be paid for pulpwood and did in fact, have some real effect on such prices.

4. General Effects of Arrangements and Practices

In concluding his evidence Dr. Petrie was asked by counsel for the named companies to give his professional opinion as to what would have happened or might have happened if representatives of the pulp and paper companies had not had meetings to discuss the supply and prices of pulpwood. Dr. Petrie's evidence was as follows:

"Q. Now, Dr. Petrie, on a somewhat different subject, you have told me yesterday that you have read the Statement of Evidence ?

A. Yes, sir.

Q. And you are familiar with the fact, as described in that Statement of Evidence, that certain officials of these named companies from time to time held

meetings together at which they discussed problems relating to the acquisition of pulpwood. What, if you can give it, in your professional opinion, would have happened or might have happened if the companies in the circumstances of the pulpwood market, with which you are familiar, had not held those meetings?

A. Well, all one can do is go back to a little bit of elementary economic conjecture or theorizing. I believe from all the evidence that has been submitted here and what is contained in the statement that the operators, that is the companies, derived a certain amount of information from these meetings regarding availability of wood as well as each others requirements of wood. Supposing, now, that no meetings had taken place at all; nobody would know what anybody else -- no one company would know what other companies planned to purchase. They would not know about availability of wood, perhaps. Therefore, there might definitely be an inclination on the part of the companies to plan for greater limit production of wood rather than gambling on being caught short on deliveries of purchase wood and have to go on short time at the mill.

Q. What effect might that have in your judgment, on the purchase market?

A. Being a believer in the effect of the interplay of the forces of demand and supply, if the mill operators' requirements of purchase wood went down, then the price of purchase wood would go down and the farmer would have suffered. In other words, I believe if it had not been for meetings you could very well rationalize a greater amount of limit cut and lower purchase wood from the farmer and broker and the dealer."

(Hearing, pp. 1223-5)

In cross-examination Dr. Petrie commented further on the theory which he had advanced, and his evidence includes the following:

"Q. Now, you advanced the theory, as I understand it, to the effect that for all we know -- you stop me if at any point I may go too far in expressing what I understood you to say -- that for all we know the effect of these meetings, discussions, and what appear to be price arrangements, may have been to enhance prices to the farmers rather than to depress them; is that correct?

- A. Put it just the other way, if you will, that prices to the farmers might have been lower without meetings.
- Q. Without meetings the prices to farmers might have been lower, and the reason that you advance for this theory -- and I think it is fair to call it a theory, is it not?
- A. It is a theory, yes.
- Q. The reason you advanced for it was that without those meetings and the information which the companies there exchanged about the market, each of them would have been so afraid to depend upon the purchase wood market that he would have, or it would have arranged to obtain all its wood from its limits.
- A. Not all, more of its wood.
- Q. And the result of that would have been lower producer prices?
- A. Yes.
- Q. And the corollary, then, to your theory would be that the companies were not sharp enough to see this and to let this happen, and to let producer prices fall, as they would have done, according to your theory, so they got together in meetings, which defeated their real purpose by keeping prices up? Is that a fair statement of the implications of the theory?
- A. It depends on what their cost of limit wood would have been under the hypothesis. It might have been that the costs of their limit wood would have been lower than the cost of purchase wood. I do not know; as I said so many times already, nobody can tell what would have happened under other circumstances, actually."

(Hearing, pp. 1241-2)

Although Dr. Petrie stated that he had developed his theory after hearing evidence put before the Commission and after reading the Statement of Evidence, he did not explain how developments in the supply and prices of pulpwood in any year or from year to year during the period covered by the inquiry were related, in fact, to the various aspects of his theory as to the possible effect of the arrangements and practices disclosed by the evidence.

The evidence before the Commission contains clear indication of what the arrangements were intended to achieve, and did achieve, and what effects were produced when the arrangements were not as inclusive or as well followed in some periods as they were in others. The review of the evidence which has been made in this report provides many illustrations and it would be repetitious to refer to the evidence in any detail at this point.

The situation which developed in the Abitibi district at the beginning of the period with which the inquiry is concerned provides very positive evidence both of the intent of the arrangements and of the consequences when they did not embrace one of the substantial buyers in the district. It will be recalled that the opening price for rough spruce and balsam for the 1947-48 season was established at \$12.00 for brokers. Spruce Falls did not participate in the arrangements at this time and the effect of their non-cooperation is described as follows in a letter of June 18, 1947 from Howard Smith to Abitibi:

" . . .

1. On Rough wood, due to the activities of Spruce Falls, it had been found, first, necessary to increase the bush advances up to a point that was safe, within the limits of the prices that had been originally decided as fair and reasonable to go on this season.

Spruce Falls, as you know, did not participate in the Committee meetings because they were asked to withdraw since their men said they had no authority to decide on anything.

2. Spruce Falls then put pressure on the rough wood, to the point where it had to be increased 50¢ per cord although we did not care to do it.
3. On sap peeled wood, they jumped the gun and heightened the advances and roadside prices to the point where the wood could not be put on cars for less than \$19 per cord peeled to field brokers.

After consultation with International Paper Company, we finally decided that to protect ourselves and prevent a put over such as was effected through St. Laurent last year, as time was slipping by fast, we would have to edge over them on price, which we did in the last few days, at \$19.25 and I understood that your field man had been advised right away.

. . . "

(ASH 32B, 5776)

Howard Smith advanced the price of rough spruce to \$12.50 on June 11, 1947 (BNF 327A, 10007). Although at a meeting on October 16, 1947 it was decided to continue with the prices for rough spruce established earlier in the year the representative of Spruce Falls did not agree with the others that wood could be purchased at the prices so established and informed the meeting that his company was already contracting at higher prices (ASH 82A-87, 5815-20). By October 28, 1947, Howard Smith had decided to increase the price of rough spruce to \$13.50 and so informed the various companies involved (ASH 79A-80B, 5824-5). An examination made of that part of Exhibit H-45 which lists contracts in the Abitibi district for 1947-48 reveals that after October 2, 1947 there is no broker or dealer contract shown with a price of less than \$13.00 per cord, although there are a number at a lesser price prior to that date which are tabulated in Table 11. It will also be seen from the latter table that a number of contracts were adjusted to a price of \$13.50. It appears valid to infer from this evidence that the unwillingness of Spruce Falls to co-operate in the arrangements with respect to prices in the 1947-48 season resulted in a general increase in the price of pulpwood in the Abitibi district for contracts made from October on and, to an extent, even earlier in the season. It also appears valid to infer that if the arrangements had been comprehensive for this season the price of pulpwood would have been maintained at a lower level rather than advancing to a higher level.

The situation in the Abitibi district in 1947-48 illustrates the effects when a difference in view as to the price to be offered for pulpwood was put into action as an independent policy by one buying company. The evidence in the inquiry reveals a number of instances when there were differences of view as to the offering price for pulpwood but, as already indicated, one of the purposes of the meetings was to arrive at a common price, which all who participated would use in making their offerings at the beginning of the season.

At a meeting held at Rouyn, Quebec on April 21, 1948 the price of peeled wood in the Abitibi district was discussed. According to a report prepared by Mr. G. D. Adams (Abitibi) the representative of Howard Smith would have liked to have seen the price established at \$19.00 with the exclusion of fire killed wood. The offering price decided upon was \$18.00 per cord (ARF 236G-42M, 1913-19).

The report of a meeting held on September 8, 1948, which was prepared by Mr. T. A. Earley (St. Lawrence) contains the following:

". . .

. . . L. Kugelman [C.I.P.] and D. Ruthman [Anglo-Canadian] felt that the price, F.O.B. cars, for rough pulpwood should be \$14.00 per cord., at the present time.

The representative of the Brown Corporation seemed to think that a \$14.00 price will be in order.

Canada Paper felt that a \$15.00 price would be more in order to pay for wood, and I felt that a price of \$14.50, F.O.B. cars, should be paid.

So, finally, it was agreed that a price of \$14.00 to \$14.50 should be paid for pulpwood, F.O.B. cars, West of Levis. That includes the Eastern Townships. And a price of \$14.00 F.O.B. cars, East of Levis. From Matapedia Valley to Rivière du Loup the price to be \$13.50 per cord, F.O.B. cars, this includes New Brunswick.

However it was recommended that we pay no more than \$14.00 for the present for wood, F.O.B. cars, West of Levis and if it was found that wood could not be purchased at that price, then it would be permissible to pay up to \$14.50 per cord.

". . ."

(AQD 5, 290)

When purchases of pulpwood were under discussion in 1953 for the 1953-54 season, it was evident that larger quantities of wood would be sought than had been purchased in the 1952-53 season. The representatives of St. Lawrence had first expressed the view that prices should be increased \$1.00 per cord (2 API 69-71, 9628-30). Reporting the result of a meeting in an inter-office letter of October 26, 1953, Mr. L. L. Wetmore (St. Lawrence) wrote:

". . .

. . . all agreed to hold to last year's prices and try to make our contracts for Farmers' wood on that basis.

". . ."

(AQE 98A-102, 3298-3302)

In a report of a later meeting held on November 13, 1953, Mr. T. A. Earley (St. Lawrence) wrote:

". . .

5. Quebec other than Abitibi - Discussion of rough
Spruce by rail, particular emphasis on Eastern
Townships

Most of the boys felt that the \$15.00 brokers price on cars in Quebec could be maintained, and a couple claimed that they had already purchased wood in the Matapedia Valley at \$15.00 on cars but nobody mentioned purchasing wood in the Eastern Townships and Quebec Central points at this price. I told the meeting that as far as I was concerned that I was yet unable to sign contracts in our local districts at \$15.00 to brokers on cars and that I had heard rumours that prices of \$15.50 to \$16.00 per cord had already been paid and that if I could not purchase my wood at \$15.00 then I would have to go to \$16.00 in order to get it, but that I would for the present ride along with the meeting at \$15.00 on cars with the hopes of signing up contracts at this figure.

". . ."

(AQD 171-4, 551-4)

In both evidence and argument put forward on behalf of the named companies great stress was laid on the exchange of information about the production of purchased wood as a valuable means of enabling buyers to plan their seasonal activities. Examination of the statistics relating to purchased wood, as given in Table 7, reveals substantial fluctuations in the quantities bought from one year to another during the period covered by the inquiry. It is clear from the evidence that the fluctuations were caused, in the main, by the buying programmes of the pulp and paper industry, although it appears to have been the opinion of some officials that, at times, the changes in quantities of pulpwood produced were made greater by the changes in prices which were decided upon. It is also the case, as indicated by Table 10, that the changes in pulpwood production both up and down have been greater than the changes in the production of wood pulp.

The fluctuations in the overall figures for purchased wood are caused by the fluctuations in the quantities of pulpwood purchased by district and origin. Statistics of this kind are given in Exhibit H-43 which is based on the information about contracts furnished to C.P. P. A. by the various companies. The statistics are not complete for every year because of changes in the ownership of certain mills during the period and the absence of records in some such cases. The provincial or regional totals for purchases of limit and farmers wood during the period 1947-48 to 1953-54 are given in the table below.

Table 16

Purchases of Limit and Farmers Wood
by Provinces or Regions,
1947-48 to 1953-54

Area		(cords)						
		<u>1947-48</u>	<u>1948-49</u>	<u>1949-50</u>	<u>1950-51</u>	<u>1951-52</u>	<u>1952-53</u>	<u>1953-54</u>
Quebec -	Limit	359,627	261,513	255,463	319,621	470,754	143,975	357,056
	Farmers	702,255	727,645	716,823	1,131,366	1,006,944	860,703	1,188,706
	Total	1,061,882	989,158	972,286	1,450,987	1,477,698	1,004,678	1,545,762
Ontario -	Limit	223,656	238,038	177,509	283,754	379,730	218,964	236,962
	Farmers	88,047	82,717	131,020	105,251	115,262	138,229	141,952
	Total	311,703	320,755	308,529	389,005	494,992	357,193	378,914
Maritimes -	Limit	435	4,563	4,975	23,610	20,211	10,355	88,069
	Farmers	187,616	78,628	44,881	251,194	109,658	74,202	113,340
	Total	188,051	83,191	49,856	274,804	129,869	84,557	201,409
Grand Total-	Limit	583,718	504,114	437,947	626,985	870,695	373,294	682,087
	Farmers	977,918	888,990	892,724	1,487,811	1,231,864	1,073,134	1,443,998
	Total	1,561,636	1,393,104	1,330,671	2,114,796	2,102,559	1,446,428	2,126,085

Source: Exhibit H-43.

Table 17 shows the year-to-year changes in the quantities of pulpwood purchased from farmers in the principal districts in Quebec. It will be seen how greatly the scale of purchases has changed in certain districts from one year to another in this period.

Table 17

Purchases of Farmers Wood in
Certain Districts, Quebec,
1947-48 to 1953-54

(cords)

<u>Year</u>	<u>Abitibi</u>	<u>Eastern Townships</u>	<u>Gaspé</u>	<u>Ottawa Valley</u>	<u>South Shore</u>
1947-48	195,892	16,103	161,525	78,166	93,927
1948-49	91,288	113,073	110,261	103,047	178,794
1949-50	132,797	94,615	95,018	135,486	124,158
1950-51	130,979	220,058	171,644	107,284	184,502
1951-52	171,472	181,658	148,074	199,871	172,902
1952-53	62,417	99,503	237,991	196,374	144,887
1953-54	105,951	192,593	271,266	324,376	157,526

Source: Exhibit H-43.

CHAPTER VI

CONCLUSIONS

This inquiry has been concerned with arrangements and practices among certain pulp and paper companies with mills in Quebec and Ontario and certain buyers for export in connection with the purchase of pulpwood from settlers or farmers during the period between April 1947 and January 1955. The review of the evidence presented in this report has clearly indicated the nature of the arrangements and practices and their general effects have been appraised in the preceding chapter. The main conclusions which the Commission has reached from this review and appraisal of the evidence are as follows:

1. The purchases of pulpwood by companies who have been named by the Director of Investigation and Research as chiefly concerned in the arrangements and practices constitute, in total, a very substantial part of the total production of pulpwood for sale in the Province of Quebec and in certain districts in the Province of Ontario.
2. The arrangements with respect to offering prices for farmers pulpwood have been in the nature of price-fixing agreements intended to control the prices at which farmers pulpwood would be bought for mill use. While the type of situation which has been more frequently encountered under Canadian anti-combines legislation has involved price-fixing with respect to the sale of goods by suppliers, effects of an equally restrictive nature may exist when a price-fixing arrangement with respect to purchase prices is entered into by buyers whose total purchases are large in a particular district or in a region.
3. One of the principal purposes of the arrangements and practices with respect to the purchase of pulpwood was to remove as far as possible the development of competitive price offers for farmers pulpwood on the part of those participating in the arrangements.
4. The pulp and paper companies were, at most times, in a much better position to bargain for pulpwood than were the farmers for its sale. For the pulp and paper industry as a whole farmers pulpwood constitutes probably less than 25 per cent of

the total pulpwood used. Some mills are independent, or practically so, of purchased pulpwood and while there are some which depend completely or to a large extent on purchased pulpwood there is a considerable amount of limit wood available for purchase as well as farmers wood. Of still more importance is the fact that the pulp and paper companies are the only ones who know what quantities of farmers pulpwood will be sought in any wood year and this means that suppliers of pulpwood for sale must wait for indications of demand on the part of the buyer.

The production of pulpwood for sale does not proceed along the lines of many other commercial crops for which a regular market exists. The cutting of pulpwood, as was so strongly stressed in evidence, usually proceeds only after a contract has been arranged for the supply of a definite quantity. It may happen, of course, that the contract is not proceeded with or the quantity produced under it falls short of that specified in it. In a real sense, therefore, pulpwood is produced to order and the letting of contracts and the prices specified in them are the principal determinants in the quantity of pulpwood produced for sale in any season.

5. The aspects of quantity and price have been among the major factors taken into consideration at meetings of representatives of pulp and paper companies interested in the purchase of farmers wood. When curtailment of purchases was in prospect, this factor was considered as influential in lowering offering prices for farmers pulpwood. When purchases were to be increased, attention was given to lessening the effect of this factor as an upward influence on price.

In a competitive situation such factors would be weighed independently by individual buyers and a price and supply situation would develop as the individual judgments were given expression in competitive prices offered by buyers. Under the arrangements described in this report, varying views as to supply conditions and as to price were composed by discussion at meetings of company representatives, and a common offering price for each district and class of wood would be decided upon.

While this common price was largely observed, the result in terms of the quantity of pulpwood offered for sale at that price was not always regarded as satisfactory by all those who participated in the arrangements.

Commenting on the decision taken in the fall of 1952 to reduce substantially the offering prices for the approaching season, a representative of St. Lawrence wrote after the meeting:

". . .

While it was agreed that we should start off our purchases on this basis, a few of us felt that the prices may be too low to the extent that production will not be encouraged and we may run into shortages with a subsequent increase in prices.

I would bring to your mind the fact that in 1949-50 we knocked back the price of car wood to \$11.50 which entirely discouraged production and the result was that we ourselves were short of 30,000 cords on our deliveries and the price during that year and the following year, rose to \$21.50 F.O.B. car. We hope that our drastic cut-back this year will not have the same effect."

(AQD 88-90, 439-41)

In the following year anticipated purchases were estimated at 21 per cent higher than in the preceding year but the position taken was that offering prices should not be increased. Commenting on this situation, a representative of St. Lawrence wrote on August 26, 1953:

". . .

In discussing the prices to be paid for pulpwood for delivery at the end of this year and during 1954, most Company representatives felt that we should try to hold the price line and should not pay more for wood loaded on cars at shipping points than we paid for this year's rough pulpwood. My answer to this was that since the production of purchase wood in my estimation was a little short this year to meet the needs of certain Companies, due to shortages on contracts by different dealers and brokers, and that since we needed to purchase more wood for delivery next year, I was afraid that if we did not pay a little more money for wood the desired quantity would not be produced. However, I finally agreed to string along with the majority, for the present at least, in trying to purchase new pulpwood production at this year's prices.

. . ."

(2 API 87B-92C . 9607-12)

6. There have been wide fluctuations between some years in the quantities of farmers pulpwood purchased in different districts by pulp and paper companies. As was pointed out by the consulting economist, Dr. Petrie, who gave evidence on behalf of the named companies, categorical answers cannot be given in most circumstances as to what might have been the situation under other conditions. It is possible, however, that if each buyer had proceeded independently in making an assessment of supply and in determining his buying price for farmers pulpwood, the amplitude of the fluctuations might have been narrowed as suggested by the quotations given above from documents of St. Lawrence. Those who felt that production should be encouraged would have offered a higher price than that decided upon at the meeting in those districts where they were particularly anxious to secure supplies. The cumulative effects of a number of different decisions by various buyers might well result in an overall supply situation which would be more advantageous both to producers and the industry than a single approach which attempted to limit competitive appraisal on the part of the buyers.

7. The available record in the evidence of actions taken following meetings among representatives of pulp and paper companies at which offering prices for farmers pulpwood were decided upon makes clear that such prices were intended to be regarded as actual maximum buying prices to the fullest extent possible. The attention given to arrangements on prices is illustrated by the following quotation from an inter-office communication of C.I.P. dated September 14, 1949:

"Concerning our telephone conversation on the above subject in which we told you of the decision at the meeting in Ottawa that a price of \$10.00 to producers for rough wood on the Angliers Line was established.

We still feel that this should not be exceeded and while we know it is advantageous wood for the Temiskaming Mill, we should make every effort to secure requirements not to exceed the above rate.

. . ."

(ASJ 120C, 4191)

Another illustration of the efforts which were made by buyers to remain within the price limits decided on at meetings is found in discussions on the price of peeled poplar during the first part of 1950. A document prepared by a representative of Abitibi contains the following in regard to a North Bay meeting of March 30, 1950:

". . .

Messrs. Salkeld [C.I.P.] and Paquette [sic] [Howard Smith] stated that all requirements for peeled poplar below Pembroke could be met at a price of \$10.00 to the producer - \$11.00 to the Broker.

K V P Company are paying \$10.50 East of North Bay, and this puts Ottawa Companies in a position that they would have to pay a higher rate for their furthest wood.

After a great deal of discussion, H. Burke [sic] [KVP] said they would try to buy poplar on the Angliers Line at \$10.00 and would not buy any wood East of Pembroke. K V P are swinging heavily into hardwoods, and H. Burke stated they were willing to pay a minimum of \$10.50, except on the O N R, where additional freight costs made it necessary to establish a top price of \$10.00.

". . ."

(ASH 59A-61, 5712-4)

On May 3, 1950, Mr. A.H. Burk (KVP) wrote to Mr. W.B. Salkeld (C.I.P.):

"As suggested at our meeting in North Bay, we have made a very honest attempt to purchase Peeled Poplar from producers at \$10.00 per cord on the Angliers Line. We have sent our own representative as well as the broker in that country on a complete tour of the area. They have interviewed all our old suppliers as well as some new ones and in no case will we be able to purchase a cord of wood at that price.

During our buying trip we were unable to find any evidence of other Companies endeavouring to purchase wood at \$10.00. In fact, there was one instance where a producer advised that he had been offered \$11.00 for his wood but he didn't say who had made him such an offer.

Therefore, in view of the above I regret to have to advise that we are committing ourselves to pay for Peeled Poplar at the rate of \$10.50 to producers with a maximum spread of \$1.00 between the producers' price and brokers' price.

". . ."

(ASE 86, 4008)

8. One objective sought in making the arrangements with respect to the offering prices for farmers pulpwood was to keep buying prices from being increased through competition on a price basis between the pulp and paper companies. In addition, a restraining influence on prices was achieved when those companies considering the offering of higher prices came to accept lower prices decided upon at a meeting. Such a restraining effect might be sought, not only by those directly interested in a particular area, but by a company not so interested which wanted to guard against a price level in one district affecting other districts in which it was more interested. Such an attitude is indicated by the following excerpt from an Abitibi document of September 2, 1949:

" . . .

I do not believe we are particularly interested in the purchase of pulpwood in the Abitibi District for delivery by rail unless the price was very attractive and was sufficient to offset the high freight rates to Beaupre, to Smooth Rock Falls, and to Iroquois Falls. However, it is our intention to attend the meeting in order that other operators do not decide to establish any 'fancy' purchase wood prices."

(ASH 11B, 5731)

9. The fact that the arrangements were intended to, and did in fact, lessen competitive pricing in making purchases of farmers pulpwood must necessarily have had a depressing effect on the prices paid for such pulpwood. The restrictive effect might vary in degree during the period under review and from district to district in relation to the extent of competition which might have prevailed if the arrangements had not been made. The effects would not be confined only to the price, but to the extent that prices lower than those which might otherwise have prevailed led to less pulpwood being produced, there also would be a reduction in income because of the smaller quantity.

10. The arrangements and practices described in this report have been to the disadvantage of the public consisting of settlers and farmers from whom pulpwood has been purchased or might have been purchased for use by the named companies. In the absence of public regulation such persons are entitled to sell their products under conditions of free competition without interference from private restrictive arrangements of the nature disclosed by the evidence in this inquiry.

11. In the opinion of the Commission there should be definite and complete abandonment of arrangements and practices

among pulp and paper companies which restrain competition among them with respect to the purchase price of farmers pulpwood, and there should be the adoption of a positive policy by each company to proceed independently in determining the prices which each buyer will offer and pay for such pulpwood.

12. In addition to the arguments made on behalf of all the named companies, representations were put forward by counsel that the Commission should and could distinguish the positions of certain of the companies on the basis of their particular interests and methods of operation and on the evidence as to their participation during the period of the inquiry in the meetings and discussions which involved the establishment of offering prices for farmers pulpwood. Except in the case of one company, which is not one to which the attention of the Commission was directed by counsel, the Commission does not consider that it should attempt to reach conclusions as to the part each of the named companies played in the arrangements and practices described in this report. The participation in the arrangements of each of the companies to whom counsel specially referred is shown by the evidence. The degree of participation varied from time to time and between the various companies but, except for the independent position taken by Spruce Falls at the beginning of the period, it is the opinion of the Commission that all of the companies co-operated in the establishment of offering prices and no distinction was made at meetings among those represented as to the nature of each one's co-operation so as to distinguish the position of one company from that of another.

Although no representations were made to the Commission by counsel for Kimberly-Clark Corporation of Canada Limited, the Commission considers that some reference should be made to the position of this named company as indicated by the evidence. Kimberly-Clark Corporation of Canada Limited, as indicated in the descriptions of the named companies given at the beginning of this report, is a wholly-owned subsidiary of Kimberly-Clark Corporation of Neenah, Wisconsin, which has a controlling interest in Spruce Falls and also has a management contract with the latter. Kimberly-Clark Corporation of Canada Limited makes no direct use of pulpwood but manufactures paper products from wood pulp. In its own operations, therefore, Kimberly-Clark Corporation of Canada Limited does not appear to have been involved in the arrangements and practices relating to farmers pulpwood which are the subjects of this inquiry. There are several documents included among the exhibits in the inquiry relating to meetings of pulp and paper companies which bear the letterhead, "Kimberly-Clark Corporation of Canada Limited" and have as the typed designation for signature, "G.G. Cosens Assistant General Manager Woodlands".

In his evidence Mr. Cosens said that he became General Manager, Woodlands Division in 1952. Apart from this use of Kimberly-Clark Corporation of Canada Limited letterhead, and presumably of its office in Toronto, there is no significant evidence indicating participation by Kimberly-Clark Corporation of Canada Limited in the arrangements and practices described in this report, and there is no record of any meeting which indicates that it was considered as being represented.

(Sgd.) C. R. Smith

Chairman

(Sgd.) A. S. Whiteley

Member

Ottawa,
March 31, 1958.

APPENDIX

Distribution of Pulpwood Contracts for Farmers Rough Spruce and Balsam F.O.B. Car by Wood Years, According to Price

Eastern Townships

<u>Wood Year</u>	Initial or Adjusted Price	Number of Initial Contracts Let		Number of Con- tracts Adjusted	
		<u>Broker</u>	<u>Dealer</u>	<u>Broker</u>	<u>Dealer</u>
June 1, 1947 to May 31, 1948	\$14.00	1			
	14.50	2	1		
	15.00	1	1		
	15.50		1		
	16.25	<u>2</u>	<u> </u>		
Total No. of Contracts		6	3		
June 1, 1948 to May 31, 1949	\$13.50	7	1		
	14.00	2			
	14.50	<u>1</u>	<u> </u>		
Total No. of Contracts		10	1		
June 1, 1949 to May 31, 1950	\$10.50	1			
	11.00	2			
	11.15		1		
	11.50	<u>3</u>	<u> </u>		
Total No. of Contracts		6	1		

Distribution of Pulpwood Contracts
for Farmers Rough Spruce and Balsam F.O.B. Car
by Wood Years, According to Price (con.)

Eastern Townships (con.)

<u>Wood Year</u>	Initial or Adjusted Price	Number of Initial Contracts Let		Number of Con- tracts Adjusted	
		<u>Broker</u>	<u>Dealer</u>	<u>Broker</u>	<u>Dealer</u>
June 1, 1950 to	\$13.00	2			
May 31, 1951	13.75	1		1	
	14.00	2		1	
	15.25			1	
	15.50	2			
	16.50	2		1	
	17.50			1	
	18.00			3	
	18.50	5		1	
	19.50			3	
	20.00	5		1	
	20.06			1	
	21.00			2	
	21.25			1	
Total No. of Contracts		19		17	
June 1, 1951 to	\$19.00	3			
May 31, 1952	19.50	1			
	20.00	6		4	
	21.00	6			
	22.00	3			
Total No. of Contracts		19		4	

Distribution of Pulpwood Contracts
for Farmers Rough Spruce and Balsam F.O.B. Car
by Wood Years, According to Price (con.)

Eastern Townships (con.)

<u>Wood Year</u>	Initial or Adjusted <u>Price</u>	Number of Initial Contracts Let		Number of Con- tracts Adjusted	
		<u>Broker</u>	<u>Dealer</u>	<u>Broker</u>	<u>Dealer</u>
June 1, 1952 to	\$15.00	8			
May 31, 1953	16.00	<u>1</u>			
Total No. of Contracts		9			
June 1, 1953 to	\$15.00	<u>12</u>			
May 31, 1954					
Total No. of Contracts		12			

Distribution of Pulpwood Contracts
for Farmers Rough Spruce and Balsam F.O.B. Car
by Wood Years, According to Price (con.)

South Shore District

<u>Wood Year</u>	Initial or Adjusted Price	Number of Initial		Number of Con-	
		<u>Contracts Let</u>		<u>tracts Adjusted</u>	
		<u>Broker</u>	<u>Dealer</u>	<u>Broker</u>	<u>Dealer</u>
June 1, 1947 to	\$13.00	1			
May 31, 1948	13.50	1			
	14.50		1		
	15.50	1	3		1
	16.00	6			
	16.25	<u>1</u>	<u> </u>		<u> </u>
Total No. of Contracts		10	4		1
June 1, 1948 to	\$14.00	4			
May 31, 1949	14.50	1			
	16.00	<u>1</u>			
Total No. of Contracts		6			
June 1, 1949 to					
May 31, 1950	\$11.25	1			
	11.50	1			
	11.60	2			
	12.17			1	
	13.50	<u> </u>		<u>1</u>	
Total No. of Contracts		4		2	

Distribution of Pulpwood Contracts
for Farmers Rough Spruce and Balsam F.O.B. Car
by Wood Years, According to Price (con.)

South Shore District (con.)

<u>Wood Year</u>	Initial or Adjusted Price	Number of Initial Contracts Let		Number of Con- tracts Adjusted	
		<u>Broker</u>	<u>Dealer</u>	<u>Broker</u>	<u>Dealer</u>
June 1, 1950 to May 31, 1951	\$11.50	1			
	16.00	1			
	16.50	3			
	17.50			1	
	18.00		1		
	18.50	1		2	
	18.75	1			
	19.00	1			
	19.50	2			
	20.00			1	
	20.50	1			
	21.00	<u>1</u>		<u>2</u>	
Total No. of Contracts		12	1	6	
June 1, 1951 to May 31, 1952	\$18.00	1			
	19.50			1	
	19.00	2			
	20.00	5			
	21.00	1			
	23.00	<u>1</u>			
Total No. of Contracts		10		1	
June 1, 1952 to May 31, 1953	\$14.50	1			
	15.00	<u>2</u>			
Total No. of Contracts		3			
June 1, 1953 to May 31, 1954	\$14.50	1			
	15.00	6			
	18.00	1			
	22.00	<u>1</u>			
Total No. of Contracts		9			

Distribution of Pulpwood Contracts
for Farmers Rough Spruce and Balsam F.O.B. Car
by Wood Years, According to Price (con.)

Ottawa Valley

<u>Wood Year</u>	Initial or Adjusted Price	Number of Initial Contracts Let		Number of Con- tracts Adjusted	
		<u>Broker</u>	<u>Dealer</u>	<u>Broker</u>	<u>Dealer</u>
June 1, 1947 to	\$12.00		1		
May 31, 1948	12.50		2		
	13.00		3		
	13.50	1	1		1
	13.60		1		
	13.75		1		
	14.00		1	1	
	15.00	1			
	16.00		3		
	16.50		1		
Total No. of Contracts		2	14	1	1
June 1, 1948 to	\$12.00		1		
May 31, 1949	13.00		9		
	13.75	1			
Total No. of Contracts		1	10		
June 1, 1949 to	\$10.50		1		
May 31, 1950	11.50		5		
	12.00		1		
	14.00		1		
Total No. of Contracts			8		

Distribution of Pulpwood Contracts
for Farmers Rough Spruce and Balsam F.O.B. Car
by Wood Years, According to Price (con.)

Ottawa Valley (con.)

<u>Wood Year</u>	Initial or Adjusted Price	<u>Number of Initial Contracts Let</u>		<u>Number of Con- tracts Adjusted</u>	
		<u>Broker</u>	<u>Dealer</u>	<u>Broker</u>	<u>Dealer</u>
June 1, 1950 to	\$12.50	2			
May 31, 1951	13.25		1		
	13.75			2	
	15.50			1	
	15.75			1	
	16.50			1	1
	16.75			1	
	17.00		1	1	2
	17.50			1	
Total No. of Contracts		2	2	8	3
June 1, 1951 to	\$18.00		9		
May 31, 1952	18.25		1		
	18.50		4		
	19.00	2			
Total No. of Contracts		2	14		
June 1, 1952 to	\$15.00		6		
May 31, 1953	15.50		2		
	16.00	1			
	18.00	1			
	19.00	2			
Total No. of Contracts		4	8		
June 1, 1953 to	\$14.50		1		
May 31, 1954	15.00	1	2		
	15.50	1			
Total No. of Contracts		2	3		

Distribution of Pulpwood Contracts
for Farmers Rough Spruce and Balsam F.O.B. Car
by Wood Years, According to Price (con.)

Gaspé District

<u>Wood Year</u>	Initial or Adjusted <u>Price</u>	Number of Initial Contracts Let		Number of Con- tracts Adjusted	
		<u>Broker</u>	<u>Dealer</u>	<u>Broker</u>	<u>Dealer</u>
June 1, 1947 to	\$12.00		1		
May 31, 1948	13.00		1		
	13.50		1		
	13.75	1	3		
	14.00		3		
	14.50		4		
	15.00		5		
	15.50	1			
	16.00	<u>1</u>	<u> </u>		
Total No. of Contracts		3	18		
June 1, 1948 to	\$13.50	1	4		
May 31, 1949	14.00	1			
	14.50	<u> </u>	<u>1</u>		
Total No. of Contracts		2	5		
June 1, 1949 to	\$ 9.50		3		
May 31, 1950	10.00		4		
	10.75		1		
	11.00		2		
	11.25		1	1	
	11.50		2		
	12.50		1		
	13.00			1	
	14.50			1	
	15.90		1		
	16.00			1	
	17.00			2	
	17.90			1	
	18.00			1	
	19.00		<u> </u>	<u>1</u>	
Total No. of Contracts			15	9	

Distribution of Pulpwood Contracts
for Farmers Rough Spruce and Balsam F.O.B. Car
by Wood Years, According to Price (con.)

Gaspé District (con.)

<u>Wood Year</u>	Initial or Adjusted Price	Number of Initial Contracts Let		Number of Con- tracts Adjusted	
		<u>Broker</u>	<u>Dealer</u>	<u>Broker</u>	<u>Dealer</u>
June 1, 1950 to	\$13.00		2		
May 31, 1951	14.00				1
	14.50	1	3		1
	15.00		2		1
	15.25		1		
	15.50		2		1
	15.75		1		
	16.00		1		1
	16.50		1		2
	17.00		1	1	
	17.25				1
	17.50				4
	18.00		2		
	18.50	1			3
	19.00		2		
	19.50		1	1	2
	20.00			1	
	20.50		1		
	21.00			2	
Total No. of Contracts		2	20	5	17
June 1, 1951 to	\$19.00	2	2		
May 31, 1952	19.50	1	4		
	20.00	1	4	2	
	21.00		1		
	22.00	1	1		
Total No. of Contracts		5	12	2	
June 1, 1952 to	\$13.00		2		
May 31, 1953	14.50	2	16		
	15.00	2			
Total No. of Contracts		4	18		

Distribution of Pulpwood Contracts
for Farmers Rough Spruce and Balsam F.O.B. Car
by Wood Years, According to Price (con.)

Gaspé District (con.)

<u>Wood Year</u>	Initial or Adjusted Price	Number of Initial Contracts Let		Number of Con- tracts Adjusted	
		<u>Broker</u>	<u>Dealer</u>	<u>Broker</u>	<u>Dealer</u>
June 1, 1953 to	\$13.50	1			
May 31, 1954	14.00		5		
	14.50	2	9		
	14.75		3		
	15.00	<u>3</u>	<u>2</u>		
Total No. of Contracts		6	19		

Distribution of Pulpwood Contracts
for Farmers Rough Spruce and Balsam F.O.B. Car
by Wood Years, According to Price (con.)

New Brunswick

<u>Wood Year</u>	Initial or Adjusted Price	Number of Initial Contracts Let		Number of Con- tracts Adjusted	
		<u>Broker</u>	<u>Dealer</u>	<u>Broker</u>	<u>Dealer</u>
June 1, 1947 to	\$13.75	1			
May 31, 1948	14.50	10	4		
	14.75	3			
	15.00	4		2	
	15.50	3			
	16.00	1			
	17.00	2			
Total No. of Contracts		<u>24</u>	<u>4</u>	<u>2</u>	
June 1, 1948 to	\$12.50	1			
May 31, 1949	13.50	7			
	14.25	1			
Total No. of Contracts		<u>9</u>			
June 1, 1949 to	\$10.75	5			
May 31, 1950	11.00	1			
	11.25	1		1	
	11.50	2			
	11.58	1			
	11.87			1	
	12.50	1			
	13.00	1		1	
	13.25			1	
	14.00	1		2	
	14.50			1	
	15.00	1			
	16.00			3	
	17.00			2	
	17.50			1	
	18.00			1	
	19.00			1	
Total No. of Contracts		<u>14</u>		<u>15</u>	

Distribution of Pulpwood Contracts
for Farmers Rough Spruce and Balsam F.O.B. Car
by Wood Years, According to Price (Con.)

New Brunswick (con.)

<u>Wood Year</u>	Initial or Adjusted Price	Number of Initial Contracts Let		Number of Con- tracts Adjusted	
		<u>Broker</u>	<u>Dealer</u>	<u>Broker</u>	<u>Dealer</u>
June 1, 1950 to	\$14.75		1		
May 31, 1951	15.00	8			
	15.50	2			1
	16.00	3		4	
	16.50		1		1
	17.00	1	5	4	
	17.50	1		1	
	17.75			3	
	18.00		1	6	
	18.50		2	1	1
	19.00		1	9	4
	19.16			1	
	19.50		2	1	1
	19.75			1	
	20.00	3	1	10	
	20.50	1			
	20.53			1	
	21.00			2	
	21.50			1	
	22.00			1	
Total No. of Contracts		19	14	46	8
June 1, 1951 to	\$16.00			1	
May 31, 1952	18.00	1			
	19.00	1			
	20.00	5	2		
	21.00		1		
Total No. of Contracts		7	3	1	

Distribution of Pulpwood Contracts
for Farmers Rough Spruce and Balsam F.O.B. Car
by Wood Years, According to Price (con.)

New Brunswick (con.)

<u>Wood Year</u>	Initial or Adjusted Price	Number of Initial Contracts Let		Number of Con- tracts Adjusted	
		<u>Broker</u>	<u>Dealer</u>	<u>Broker</u>	<u>Dealer</u>
June 1, 1952 to	\$14.00	3			
May 31, 1953	14.50	1	1		
	15.00	3			
	15.50	1			
	16.00	1			
Total No. of Contracts		9	1		
June 1, 1953 to	\$13.00	1			
May 31, 1954	13.50	1			
	14.00	11			
	14.50	1			
Total No. of Contracts		14			

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Report concerning the
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Restrictive Trade Practices

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